Directors' responsibility

The directors are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2008.

The directors consider that in preparing the financial statements they have selected the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International financial Reporting Standards that they consider to be applicable have been followed.

The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group at year end. The directors also prepared the other information included in the integrated report and are responsible for both its accuracy and its consistency with the financial statements.

In addition, the directors are responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going-concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The financial statements have been audited by the independent auditors, PwC, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements which appear on pages 100 to 227 were produced and approved by the board of directors on 23 August 2011 and are signed on their behalf by:

LM Nestadt
Non-executive chairman

DB Rivkind
Financial director

BM Levy
Joint chief executive officer

MS Levy
Joint chief executive officer

Declaration of Company Secretary

In terms of section 268G(d) of the previous Companies Act, 1973, as amended, and section 88(2)(e) of the current Companies Act, 2008, I certify that Blue Label Telecoms Limited has lodged with the former Registrar of Companies and the Companies and Intellectual Property Commission respectively, all such returns as are required of a public company in terms of the aforesaid Acts and that such returns are true, correct and up to date.

E Viljoen
Company secretary

Sandton
23 August 2011

Independent auditors' report

FOR THE YEAR ENDED 31 MAY 2011

TO THE SHAREHOLDERS OF BLUE LABEL TELECOMS LIMITED

We have audited the consolidated annual financial statements and annual financial statements of Blue Label Telecoms Limited, which comprise the consolidated and separate statements of financial position as at 31 May 2011, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 96 to 227.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Blue Label Telecoms Limited as at 31 May 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: EJ Gerryts
Registered Auditor

Johannesburg
23 August 2011

Directors' report

The directors have pleasure in presenting the annual financial statements of Blue Label Telecoms Limited (Blue Label Telecoms or the company) and its subsidiary, associate and joint venture companies (the group) for the year ended 31 May 2011.

PRINCIPAL ACTIVITIES AND STRATEGY

Blue Label Telecoms is a leading distributor of prepaid secure electronic tokens of value and transactional services within emerging and developing economies across its global footprint of touch points. The group's stated strategy is to extend its local and international footprint of touch points, both organically and acquisitively, to meet the significant demand for the delivery of multiple prepaid products and services through a single distributor, across various delivery mechanisms and via numerous merchants or vendors.

FINANCIAL RESULTS

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that Blue Label Telecoms and the group have adequate resources in place to continue in operation for the foreseeable future. The annual financial statements for the year ended 31 May 2011 were approved by the board and signed on its behalf on 23 August 2011.

Full details of the financial position and results of the company, the group and its segments are set out in the annual financial statements, and group annual financial statements.

SUBSIDIARIES, ASSOCIATES AND OTHER INVESTMENTS

Particulars of the principal subsidiaries, joint ventures and associates of the Blue Label Telecoms group are provided in note 33 to the annual financial statements.

DISPOSALS

On 23 February 2011, a strategic alliance was entered into between Blue Label Mexico S.A de C.V. ('BLM') and Grupo Bimbo S.A.B de C.V. ('Bimbo'), a distributor of consumer goods. In terms of this arrangement Bimbo purchased 40% of BLM for US$20 million by subscribing to a fresh issue of shares. This dilution in interest resulted in a profit for the group of R146 million.

For further details of disposals during the year, refer to note 27 to the annual financial statements.

SHARE CAPITAL

Full details of the authorised, issued and unissued capital of the company at 31 May 2011 are contained in note 16 to the financial statements. There were no shares issued during the financial year ended 31 May 2011.

SUBSEQUENT EVENTS

In June 2011, Microsoft sold its 37.22% shareholding in Oxigen Services India to 2D Fine Investments Mauritius, a wholly owned subsidiary of 2D Fine Holdings Mauritius. The shareholding in the latter is a joint venture between Gold Label Investments, a wholly owned subsidiary of Blue Label Telecoms, and 2D Fine Holdings Limited. The latter is a company controlled by the management of Oxigen Services India. The effect of the above is that Blue Label Telecoms has increased its effective shareholding in Oxigen Services India above 50%, however, the group does not exercise control.

Dividends

On 23 August 2011, the board approved a dividend of 14 cents per ordinary share, equating to a cover of 3.3 times on HEPS. The dividend in respect of ordinary shares for the year ended 31 May 2011 of R107 092 578 (STC: R10 709 258) has not been recognised in the financial statements as it was declared after this date. The salient dates are as follows:

Last date to trade cum dividend	Friday, 9 September 2011
Shares commence trading ex dividend	Monday, 12 September 2011
Record date	Friday, 16 September 2011
Payment of dividend	Monday, 19 September 2011

Share certificates may not be dematerialised or rematerialised between Monday, 12 September and Friday, 16 September 2011, both days inclusive.

DIRECTORATE

The following were directors of the company for the year under review:

Name	Office	Appointment date	Date and nature of change
Larry M Nestadt	Independent non-executive chairman	5 October 2007	–
Brett M Levy	Joint chief executive officer	1 February 2007	–
Mark S Levy	Joint chief executive officer	1 February 2007	–
Kevin M Ellerine	Non-executive director	8 December 2009	–
Gary D Harlow	Independent non-executive director	5 October 2007	–
Neil N Lazarus SC	Non-executive director	5 October 2007	–
Peter Mansour	Non-executive director	21 May 2008	Resigned in October 2010
Joe S Mthimunye	Independent non-executive director	5 October 2007	–
Mteto Nyati	Non-executive director	12 October 2010	–
Mark V Pamensky	Chief operating officer	5 October 2007	–
David B Rivkind	Financial director	5 October 2007	–
Lucy (Pani) M Tyalimpi	Independent non-executive director	5 October 2007	–

Directors' report continued

DIRECTORS' INTERESTS

The individual interests declared by directors and officers in the company's share capital as at 31 May 2011, held directly or indirectly were as follows:

	Nature of interest			
	Direct beneficial		Indirect beneficial	
Director	2011	2010	2011	2010
BM Levy	74 340 553	74 340 553	8 272 778	8 272 778
MS Levy	66 933 145	66 933 145	8 272 777	8 272 777
KM Ellerine	—	—	296 297	296 297
JS Mthimunye	20 000	20 000	—	—
MV Pamensky	—	—	5 565 738	7 565 738
LM Nestadt	—	—	8 204 674	8 204 674
GD Harlow	—	—	2 000 000	3 000 000
NN Lazarus	4 803 424	4 803 424	—	—
DB Rivkind	—	—	3 700 000	3 431 669

The aggregate interest of the current directors in the capital of the company was as follows:

	Number of shares	
	2011	2010
Beneficial	182 409 386	185 141 055

The beneficial interest held by directors and officers of the company constitutes 24.12% of the issued share capital of the company.

RESOLUTIONS

The company passed and registered a special resolution in October 2010, approving the acquisition of the company's shares by the company or any of its subsidiaries.

Except for the aforementioned, no other special resolutions, the nature of which might be significant to shareholders in their appreciation of the state of affairs of the group, were passed by the company or its subsidiaries during the period covered by this annual report.

SECRETARY

The company secretary is E Viljoen. The business and postal address of the company secretary appear on the inside back cover.

AUDITORS

PwC will continue in office in accordance with section 90 (6) of the Companies Act.

Larry Nestadt
Chairman

Group statement of financial position

AS AT 31 MAY 2011

	Note	2011 R'000	2010 R'000
ASSETS			
Non-current assets		**851 665**	717 581
Property, plant and equipment	4	**139 747**	156 888
Intangible assets	5	**218 679**	194 262
Goodwill	5	**214 834**	242 562
Investments in associates and joint ventures	6	**239 997**	96 888
Available-for-sale financial asset	7	**—**	—
Starter pack assets	8	**20 361**	16 826
Deferred taxation assets	9	**18 047**	10 155
Current assets		**4 216 942**	3 730 721
Financial assets at fair value through profit and loss	10	**10**	150
Starter pack assets	8	**16 777**	77 467
Inventories	11	**1 012 594**	560 846
Loans receivable	12	**32 370**	43 617
Trade and other receivables	13	**914 164**	987 279
Current tax assets		**14 330**	4 285
Cash and cash equivalents	14	**2 226 697**	2 057 077
Assets of disposal group classified as held-for-sale	15	**20 481**	—
Total assets		**5 089 088**	4 448 302

	Note	2011 R'000	2010 R'000
EQUITY AND LIABILITIES			
Capital and reserves		2 955 363	2 655 436
Share capital	16	*	*
Share premium		4 404 737	4 404 737
Treasury shares		(56 506)	(52 120)
Restructuring reserve		(1 843 912)	(1 843 912)
Foreign currency translation reserve		(23 751)	(22 841)
Non-distributable reserve		10 150	10 150
Transaction with non-controlling interest reserve		(909 006)	(914 867)
Equity compensation benefit reserve		17 807	10 511
Share-based payment reserve		1 292	1 526
Retained earnings		1 340 318	1 000 327
		2 941 129	2 593 511
Non-controlling interest		14 234	61 925
Non-current liabilities		38 093	47 696
Deferred taxation	9	22 196	31 616
Interest-bearing borrowings	17	15 897	16 080
Current liabilities		2 081 760	1 745 170
Trade and other payables	18	2 046 773	1 718 907
Provision	19	8 676	—
Current tax liabilities		22 326	21 320
Bank overdraft	14	527	2 175
Current portion of interest-bearing borrowings	17	3 458	2 768
Liabilities of disposal group classified as held-for-sale	15	13 872	—
Total equity and liabilities		5 089 088	4 448 302

**Less than R1 000.*

Group statement of comprehensive income

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 R'000	2010 R'000
CONTINUING OPERATIONS			
Revenue		18 064 572	15 939 764
Other income		7 197	41 969
Changes in inventories of finished goods		(16 996 939)	(14 923 221)
Employee compensation and benefit expense	20	(263 360)	(272 134)
Depreciation, amortisation and impairment charges		(145 985)	(115 113)
Other expenses		(213 738)	(216 721)
Operating profit	21	451 747	454 544
Finance costs	22	(115 845)	(107 127)
Finance income	22	146 429	161 018
Share of losses from associates and joint ventures	6	(2 757)	(14 982)
Net profit before taxation		479 574	493 453
Taxation	23	(152 176)	(165 536)
Net profit for the year from continuing operations		327 398	327 917
DISCONTINUED OPERATIONS			
Net profit for the year from discontinued operations	15	57 573	97 264
Net profit for the year		384 971	425 181
Other comprehensive income:			
Exchange losses on translation of equity loans		(4 926)	(2 063)
Exchange losses on translation of foreign operations		(6 550)	(5 659)
Foreign currency translation reserve recycled to profit or loss		4 219	(1 328)
Other comprehensive loss for the year, net of tax		(7 257)	(9 050)
Total comprehensive income for the year		377 714	416 131

	Note	2011 R'000	2010 R'000
Net profit for the year attributable to:			
Equity holders of the parent		**431 448**	365 022
Non-controlling interest		**(46 477)**	60 159
Net profit for the year from continuing operations attributable to:			
Equity holders of the parent		**337 547**	328 570
Non-controlling interest		**(10 149)**	(653)
Net profit for the year from discontinued operations attributable to:			
Equity holders of the parent		**93 901**	36 452
Non-controlling interest		**(36 328)**	60 812
Total comprehensive income for the year attributable to:			
Equity holders of the parent		**430 538**	355 580
Non-controlling interest		**(52 824)**	60 551
Earnings per share for profit attributable to:			
Equity holders (cents)			
– Basic	24	**57.04**	48.17
– From continuing operations		**44.63**	43.36
– From discontinued operations		**12.41**	4.81
– Diluted	24	**56.49**	47.96
– From continuing operations		**44.08**	43.15
– From discontinued operations		**12.41**	4.81

Group statement of changes in equity

FOR THE YEAR ENDED 31 MAY 2011

	Note	Share capital R'000	Share premium R'000	Treasury shares R'000	Retained earnings R'000
Balance as at 31 May 2009		*	4 404 737	(25 562)	635 305
Net profit for the year		—	—	—	365 022
Comprehensive loss		—	—	—	—
Total comprehensive income (loss)		—	—	—	365 022
Treasury shares purchased	16	—	—	(26 558)	—
Asset acquired for shares		—	—	—	—
Equity compensation benefit movement		—	—	—	—
Share of equity movement in associates		—	—	—	—
Dividends		—	—	—	—
Capital contribution by non-controlling interest		—	—	—	—
Non-controlling interest acquired/(disposed of) during the year		—	—	—	—
Balance as at 31 May 2010		*	**4 404 737**	**(52 120)**	**1 000 327**
Net profit for the year		—	—	—	**431 448**
Comprehensive loss		—	—	—	—
Total comprehensive income (loss)		—	—	—	**431 448**
Treasury shares purchased	16	—	—	**(8 935)**	—
Equity compensation benefit scheme shares vested			—	**4 549**	—
Equity compensation benefit movement		—	—	—	—
Share of equity movement in associates		—	—	—	—
Dividends		—	—	—	**(91 457)**
Share based payment movement		—	—	—	—
Non-controlling interest disposed of during the year	27	—	—	—	—
Balance as at 31 May 2011		*	**4 404 737**	**(56 506)**	**1 340 318**

** Less than R1 000.*

1 The restructuring reserve arose as a result of the restatement of group comparatives, as required in terms of the principles of predecessor accounting. This reserve represents the difference between the fair value of the entities under the group's control and their respective net asset values, as at the assumed restructure date of 1 June 2006.

2 This relates to the group's share of the movement in equity reserves in associate companies. (Refer to note 6.)

3 The transaction with non-controlling interest reserve relates to the excess payments over the carrying amounts arising on transactions with non-controlling shareholders as these are treated as equity participants. (Refer to note 27.)

4 This relates to the group's movement in equity compensation benefit (refer note 32) as well as the group's share of the movement in equity compensation benefit of associate companies (refer note 6).

5 The prior year movement in the share-based payment reserve relates to a BEE transaction concluded by Cigicell (Proprietary) Limited, a subsidiary of Blue Label Telecoms. In September 2009 Ventury (Proprietary) Limited sold 26% of its stake in Cigicell (Proprietary) Limited to Sangrilor (Proprietary) Limited. The group has not recognised this disposal and accounts for Cigicell (Proprietary) Limited as a wholly owned subsidiary until the purchase consideration has been settled by Sangrilor (Proprietary) Limited. The purchase consideration will be settled through the declaration of dividends by Cigicell (Proprietary) Limited. There are no specified dates for this.

	Restructuring reserve[1] R'000	Foreign currency translation reserve R'000	Non-distributable reserve[2] R'000	Transaction with non-controlling interest reserve[3] R'000	Employee compensation benefit reserve[4] R'000	Share-based payment reserve[5] R'000	Total ordinary shareholders' equity R'000	Non-controlling interest R'000	Total equity R'000
	(1 843 912)	(13 399)	—	(914 399)	9 371	1 231	2 253 372	(9 252)	2 244 120
	—	—	—	—	—	—	365 022	60 159	425 181
	—	(9 442)	—	—	—	—	(9 442)	392	(9 050)
	—	(9 442)	—	—	—	—	355 580	60 551	416 131
	—	—	—	—	—	—	(26 558)	—	(26 558)
	—	—	—	—	—	295	295	—	295
	—	—	—	—	1 140	—	1 140	(30)	1 110
	—	—	10 150	—	—	—	10 150	—	10 150
	—	—	—	—	—	—	—	(2 912)	(2 912)
	—	—	—	—	—	—	—	558	558
	—	—	—	(468)	—	—	(468)	13 010	12 542
	(1 843 912)	**(22 841)**	**10 150**	**(914 867)**	**10 511**	**1 526**	**2 593 511**	**61 925**	**2 655 436**
	—	—	—	—	—	—	431 448	(46 477)	384 971
	—	(910)	—	—	—	—	(910)	(6 347)	(7 257)
	—	(910)	—	—	—	—	430 538	(52 824)	377 714
	—	—	—	—	—	—	(8 935)	—	(8 935)
	—	—	—	—	(4 549)	—	—	—	—
	—	—	—	—	10 903	—	10 903	229	11 132
	—	—	—	—	942	—	942	—	942
	—	—	—	—	—	—	(91 457)	(950)	(92 407)
	—	—	—	—	—	(234)	(234)	234	—
	—	—	—	5 861	—	—	5 861	5 620	11 481
	(1 843 912)	**(23 751)**	**10 150**	**(909 006)**	**17 807**	**1 292**	**2 941 129**	**14 234**	**2 955 363**

Group statement of cash flows

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 R'000	2010 R'000
Cash flows from operating activities			
Cash received from customers		18 674 256	16 938 988
Cash paid to suppliers and employees		(18 108 203)	(16 315 996)
Cash generated by operations	25	566 053	622 992
Interest received	22	50 645	84 130
Interest paid	22	(8 221)	(5 131)
Taxation paid	26	(180 814)	(186 081)
Net cash flows from operating activities		427 663	515 910
Cash flows from investing activities			
Proceeds on disposal of intangible assets		—	5 093
Acquisition of intangible assets		(112 661)	(91 444)
Acquisition of financial assets at fair value through profit or loss		—	(140)
Disposal of subsidiaries net of cash disposed	27	(1 274)	(2 244)
Loans (advanced to)/repaid by associates and joint ventures		(1 373)	1 456
Loans repaid/(advanced)		37 313	(5 668)
Dividends received from associates and joint ventures		1 416	—
Proceeds on disposal of property, plant and equipment		2 676	12 320
Acquisition of property, plant and equipment		(73 535)	(104 373)
Net cash flows from investing activities		(147 438)	(185 000)
Cash flows from financing activities			
Interest-bearing borrowings raised		1 193	2 155
Proceeds from issue of shares*		—	1 120
Acquisition of treasury shares		(8 790)	(26 558)
Dividends paid to non-controlling interest		(950)	(2 912)
Dividends paid		(91 457)	—
Net cash flows from financing activities		(100 004)	(26 195)
Increase in cash and cash equivalents		180 221	304 715
Cash and cash equivalents at the beginning of the year		2 054 902	1 756 806
Translation difference		(8 953)	(6 619)
Cash and cash equivalents at the end of the year	14	2 226 170	2 054 902

** This relates to shares issued to non-controlling interests in a subsidiary company.*
During the prior year dividends paid to non-controlling interest were included in investing activities. These amounts have been reclassified to financing activities.

Notes to the group annual financial statements

FOR THE YEAR ENDED 31 MAY 2011

Blue Label Telecoms Limited (the company) and its subsidiaries, joint ventures and associates (together referred to as the group) is involved in the procurement, selling and distribution of prepaid products for inter alia fixed and mobile networks and all business ancillary thereto.

The annual financial statements comprise the consolidated financial statements of the group and the stand-alone financial statements of the company and were authorised by the board of directors, as indicated on page 93.

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and the Companies Act, No. 71 of 2008. These financial statements are prepared in accordance with IFRS, issued and effective as at 31 May 2011.

Basis of preparation

The annual financial statements and group financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

Standards, interpretations and amendments effective in 2011

The following standards and amendments are effective for the first time for the year ended 31 May 2011 and have been applied when presenting the group's financial statements:

- IFRS 3: *Business Combinations – Revised*
- IAS 27: *Consolidated and Separate Financial Statements – Revised*
- Amendments to IFRS 2: *Group cash-settled share-based payment transactions*

The following standards, interpretations and amendments are effective for the first time for the year ended 31 May 2011 and have not had an impact on the group's financial statements:

- IFRS 1: *First time Adoption of International Financial Reporting Standards – Revised*
- Amendments to IAS 32 – *Classification of rights issues*
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement Eligible Hedged Items*
- IFRIC 17: *Distributions of Non-cash Assets to Owners*
- IFRIC 18: *Transfers of assets from customers*
- AC 504: IAS 19 (AC 116) – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for financial years commencing 1 June 2011, but which the group has not early adopted, are as follows:

Standards, amendments and interpretations not yet effective

The group has evaluated the effect of all new standards, amendments and interpretations that have been issued but which are not yet effective. Based on the evaluation, management does not expect these standards, amendments and interpretations to have a significant impact on the group's results and disclosures. The expected implications of applicable standards, amendments and interpretations are dealt with below.

IAS 1 Amendment – Presentation of items of other comprehensive income ("OCI")

This amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as revaluation gains on property, plant and equipment will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

The amendment is effective for annual periods beginning on or after 1 July 2012. The group will evaluate the amended presentation and update disclosure accordingly from the effective date.

IAS 19 Amendment to IAS 19 – Employee benefits

This amendment makes significant changes to the recognition and measurement of the defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment could significantly change a number of performance indicators and might also significantly increase the volume of disclosures.

Amendment is effective for periods beginning on or after 1 January 2013. The group does not believe the statement will have a significant impact on the group as the group currently has no defined benefit pension plans and termination benefits. The group will evaluate and update disclosures for all employee benefits accordingly from the effective date.

IAS 24 Amendment to IAS 24 – Related party disclosures

This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.

No entities within the group are government-related entities therefore this amendment will have no impact. The group will evaluate the amended definition of related parties and update disclosure accordingly from the effective date. This amendment is effective for the period commencing on 1 January 2011.

IFRS 9 Financial Instruments

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

This statement is effective on 1 January 2013. The group is currently considering the impact on the classification of financial assets, however do not believe the statement will have a significant impact, given the nature of the financial assets held by the group.

IFRS 9 Financial Instruments (2010)

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

This statement is effective on 1 January 2013. The group is currently considering the impact on the derecognition of financial liabilities, however do not believe the statement will have a significant impact, given the nature of the financial liabilities held by the group.

Amendment to IFRS 1 – Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters

The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is effective for annual periods beginning on or after 1 July 2010 with early adoption permitted.

This amendment is not applicable to the group as the group already applies IFRS.

Amendments to IFRS 1, 'First time adoption' on hyperinflation and fixed dates

The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRS', thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.

This amendment is not applicable to the group as the group already applies IFRS.

Amendment to IFRS 7 Disclosures – Transfer of financial assets

The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.

This statement is effective on 1 July 2011. The group does not believe the statement will have a significant impact, given the nature of the financial assets held by the group.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Amendment to IAS 12,'Income taxes' on deferred tax

Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

This amendment is not applicable to the group as the group does not have investment properties.

IFRS 10 – Consolidated financial statements

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

This statement is effective on 1 January 2013. The group is currently considering the impact on the consolidated financial statements, however do not believe the statement will have a significant impact.

IFRS 11 – Joint arrangements

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportionate consolidation of joint ventures is no longer allowed.

This statement is effective on 1 January 2013. The group does not believe the statement will have a significant impact as the proportionate consolidation method of accounting for joint ventures is not applied by the group. The group is currently considering the impact on its contractual arrangements.

IFRS 12 – Disclosures of interests in other entities

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

This statement is effective on 1 January 2013. The group is currently considering the impact on the consolidated financial statements, however do not believe the statement will have a significant impact as it merely provides for additional disclosures.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 13 – Fair value measurement

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

This statement is effective on 1 January 2013. The group is currently considering the impact on the consolidated financial statements. however does not believe the statement will have a significant impact due to the nature of assets and liabilities carried at fair value.

IAS 27 (revised 2011) – *Separate financial statements*

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

This statement is effective on 1 January 2013. The group is currently considering the impact however does not believe the statement will have a significant impact.

IAS 28 (revised 2011) – *Associates and joint ventures*

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

This statement is effective on 1 January 2013. This statement will have no impact on the consolidated financial statements as joint ventures and associates are currently equity accounted.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

This interpretation is not applicable to the group.

Amendments to IFRIC 14: Pre-payments of a Minimum Funding Requirement

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement.

This interpretation is not applicable to the group.

Annual Improvements Project

The IASB decided to initiate an annual improvements project in 2007 as a method of making necessary, but non-urgent, amendments to IFRS that will not be included as part of another major project. The IASB's objective was to ease the burden for all concerned.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements Project (continued)

Improvements to IFRS (Issued April 2009 and May 2010) was issued by the IASB as part the "annual improvements process" resulting in the following amendments to standards issued, but not effective for 31 May 2011 year-ends:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards – Accounting policy changes in the year of adoption*
- IFRS 1 *First-time Adoption of International Financial Reporting Standards – Revaluation basis as deemed cost*
- IFRS 1 *First-time Adoption of International Financial Reporting Standards – Use of deemed cost for operations subject to rate regulation*
- IFRS 2 *Share-based Payment – Scope of IFRS 2 and revised IFRS 3*
- IFRS 3 *Business Combinations (effective for annual periods beginning on/after 1 July 2010) Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS*
- IFRS 3 *Business Combinations (effective for annual periods beginning on/after 1 July 2010) – Measurement of non-controlling interests*
- IFRS 3 *Business Combinations (effective for annual periods beginning on/after 1 July 2010) – Un-replaced and voluntarily replaced share-based payment awards*
- IFRS 5 *Non-current Assets Held for Sale – Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations*
- IFRS 7 *Financial Instruments: Disclosures – Clarification of disclosures*
- IFRS 8 *Operating Segments – Disclosure of information about segment assets*
- IAS 1 *Presentation of Financial Statements – Current/non-current classification of convertible instruments*
- IAS 1 *Presentation of Financial Statements – Clarification of statement of changes in equity*
- IAS 7 *Statement of Cash Flows – Classification of expenditures on unrecognised assets*
- IAS 17 *Leases – Classification of leases of land and buildings*
- IAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
- IAS 27 *Consolidated and Separate Financial Statements (effective for annual periods beginning on/after 1 July 2010) – Transition requirements for amendments arising as a result of IAS 27 Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Reporting – Significant events and transactions*
- IAS 36 *Impairment of Assets – Unit of accounting for goodwill impairment test*
- IAS 38 *Intangible Assets – Additional consequential amendments arising from revised IFRS 3*
- IAS 38 *Intangible Assets – Measuring the fair value of an intangible asset acquired in a business combination*
- IAS 39 *Financial Instruments: Recognition and Measurement – Treating loan prepayment penalties as closely related embedded derivatives*
- IAS 39 *Financial Instruments: Recognition and Measurement – Scope exemption for business combination contracts*
- IAS 39 *Financial Instruments: Recognition and Measurement – Cash flow hedge accounting*
- IFRIC 9 *Reassessment of Embedded Derivatives – Scope of IFRIC 9 and revised IFRS 3*
- IFRIC 13 *Customer Loyalty Programmes – Fair value of award credits*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments*

Management are currently considering the effect of the changes.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Transactions in which combining entities are controlled by the same party or parties before and after the transaction, and that control is not transitory, are referred to as common control transactions. Where there are common control transactions in the group, predecessor accounting is applied.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. Non-controlling interest in the consolidated equity and results of the group are shown separately in the consolidated statement of financial position and statement of comprehensive income, respectively.

Non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the identifiable assets and liabilities recognised. Non-controlling interests are treated as equity participants. Acquisitions of non-controlling interests or disposals by the group of its non-controlling interests in subsidiary companies where control is maintained subsequent to the disposal are accounted for as equity transactions with non-controlling interests. Consequently, the difference between the purchase price and the book value of a non-controlling interest purchased is recorded in equity. All profits and losses arising as a result of the disposal of interests in subsidiaries to non-controlling interests where control is maintained subsequent to the disposal, are also recorded in equity.

Where the losses attributable to the non-controlling interests in a consolidated subsidiary exceed their interest in that subsidiary, the total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of consolidation (continued)

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The company financial statements account for investment in subsidiaries at cost less any accumulated impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The group's share of post-acquisition movements in equity compensation benefit reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated to the extent of the group's interest in the associate unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

The company financial statements account for investment in associates at cost less any accumulated impairment.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

A listing of the group's principal subsidiaries and associates is set out in note 33 to the financial statements. The financial effects of the acquisition and disposal of the subsidiaries and associates are disclosed separately in the notes to the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial operating decisions relating to the activity require the unanimous consent of the parties sharing control (venturers).

The group's interest in joint ventures is accounted for under the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the group's share of net assets of the joint venture. The statement of comprehensive income reflects the group's share of the results of operations of the joint venture.

The company financial statements account for investment in joint ventures at cost less any accumulated impairment.

Loans granted to associates and joint ventures are regarded as part of the investment.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in rand, which is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate as at statement of financial position date;

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Group companies (continued)

- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

Financial instruments

Financial instruments carried on the statement of financial position include:

Financial assets:

- financial assets at fair value through profit or loss;
- loans receivable;
- available-for-sale;
- trade and other receivables;
- cash and cash equivalents.

Financial liabilities:

- borrowings;
- trade and other payables; and
- bank overdraft.

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Regular way purchases and sales of financial assets that require delivery are recognised on trade date, being the date on which the group commits to purchase or sell the asset.

The group recognises a financial asset or a financial liability on its statement of financial position when, and only when, the group becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities (or a part of a financial liability) are removed from its statement of financial position when, and only when, they are extinguished – ie when the obligation specified in the contract is discharged or cancelled or expires.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within 12 months of the statement of financial position date.

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the statement of comprehensive income. These assets are subsequently measured at fair value. All related realised and unrealised gains and losses arising from changes in fair value are recognised in the statement of comprehensive income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category does not include those loans and receivables that the group intends to sell in the short term or that it has designated as at fair value through profit or loss or available-for-sale. These assets are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

Financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest rate method, less any provision for impairment.

Loans and receivables comprise loans receivable and trade and other receivables (excluding prepayments and VAT).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Financial assets classified as available-for-sale are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from the change in fair value are recognised directly in other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the statement of comprehensive income. Interest and dividend income received on available-for-sale financial assets are recognised in the statement of comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

(a) Loans and receivables

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence that receivables are impaired includes observable data that comes to the attention of the group about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in payments; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

The amount of the provision is the difference between the carrying amount and the recoverable amount of the assets being the present value of expected cash flows discounted at the original effective interest rate. The amount of the provision is recognised as a charge in the statement of comprehensive income.

When a receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

(b) Available-for-sale financial assets

The group assesses whether there is objective evidence that a financial asset carried at fair value is impaired at each reporting date. If any objective evidence of impairment exists for available-for-sale financial assets (for example, a significant or prolonged decline in the fair value of a security below its cost), the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from other comprehensive income and recognised in the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Financial liabilities and equity

Financial liability and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Refer to accounting policies on borrowings and trade and other payables for financial liabilities (which exclude employee-related liabilities and VAT), and share capital for equity instruments issued by the group.

Fair value estimation

The best evidence of fair value on initial recognition is the transaction price, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. Subsequent to initial recognition, the fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value estimation (continued)

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost, being the purchase cost plus any cost to prepare the assets for their intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated on the straight-line basis over each asset's estimated useful life.

Depreciation is calculated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives as follows:

Motor vehicles	20% – 25%
Furniture and fittings	16.67% – 25%
Office equipment	25%
Computer equipment	25% – 33.33%
Terminals and vending machines	16.67%
Media equipment	33.33%
Plant and machinery	20%
Buildings	8.33%

Major leasehold improvements are amortised over the shorter of their respective lease periods and estimated useful life.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. No such qualifying assets exist at year end.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at year end.

Gains and losses on disposal of property, plant and equipment are determined as the difference between the carrying amount and the fair value of the sale proceeds, and are included in operating profit.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software has a finite useful life and is subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the computer software over its estimated useful live (three years).

Costs associated with the maintenance of existing computer software programmes are expensed as incurred.

(b) Trademarks and licences

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (ten years).

(c) Franchise fees

Franchise fees are shown at historical cost. Franchise fees have a finite useful life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise fees over their estimated useful lives (twenty years).

(d) Databases, customer listings, distribution agreements and customer relationships

Databases, customer listings, distribution agreements and customer relationships acquired through business combinations are initially shown at fair value as determined in accordance with IFRS 3 – Business combinations, and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the value of these assets over their estimated useful lives (three – ten years).

(e) Research and development

Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset and that it will be available for use or sale;
- management intend to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Research expenditure is recognised as an expense as incurred. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use (ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management) on a straight-line basis over its useful life (five – ten years).

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Research and development (continued)

Direct costs include the product development employee costs and an appropriate portion of relevant overheads. Costs associated with the maintenance of existing products are expensed as incurred.

(f) Purchased starter pack bases

Purchased starter pack bases represent the right to earn future revenue from starter packs already distributed and are initially recognised at the cost to the group. Starter pack bases have a finite life and are subsequently carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives (five – seven years).

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is attributable to synergies that the group expects to derive from the transaction. If the cost of acquisition is less than the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Goodwill on the acquisition of subsidiaries is included in "goodwill" in the statement of financial position. Goodwill on acquisitions of associates and joint ventures is included in "investments in associates and joint ventures".

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

The group evaluates the carrying value of assets with finite useful lives when events and circumstances indicate that the carrying value may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Intangible assets not yet available for use are tested annually for impairment.

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of an asset exceeds its recoverable amount. An asset's recoverable amount is the higher of the fair value less cost to sell (the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable willing parties), or its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impairment of non-financial assets (continued)

An impairment loss recognised for an asset, other than goodwill, in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the recoverable amount exceeds the new carrying amount. The reversal of the impairment is limited to the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior years. The reversal of such an impairment loss is recognised in the statement of comprehensive income in the same line item as the original impairment charge.

Leased assets

(a) Finance leases

Lease agreements that transfer substantially all the risks and rewards of ownership are classified as finance leases at inception of the lease. The asset is capitalised at the lower of the fair value of the asset or the present value of the minimum lease payments at inception of the lease, with an equivalent amount being stated as a finance lease liability. Finance lease liabilities are classified as non-current or current liabilities, as appropriate. Each lease payment is allocated between the liability and finance charges using the effective interest rate. Finance costs are charged to the statement of comprehensive income over the lease period.

The capitalised asset is depreciated over the shorter of the useful life of the asset or the lease term to its residual value.

(b) Operating leases

Leases in which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments under operating leases, net of incentives, are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Starter pack assets

A starter pack is a tool which enables the connection of a mobile device to a mobile network operator, also known as a SIM (subscriber identity module) card.

The starter pack asset represents starter packs which have been distributed but not yet activated. On activation of the starter pack, the group has a right to receive cash. Starter packs are stated at cost less provision for impairment and are determined by means of the weighted average cost basis. Provision for impairments are made for starter packs distributed not expected to be activated.

Inventories

Inventories are stated at the lower of cost or estimated net realisable value. Cost comprises direct materials and, where applicable, overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. The cost of the inventory is determined by means of the weighted average cost basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Provisions are made for obsolete, unusable and unsaleable inventory and for latent damage first revealed when inventory items are taken into use or offered for sale.

1. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in the normal operating cycle of the business, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Assets and liabilities of disposal group held for sale

Disposal groups are classified as assets and liabilities held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Share capital

Ordinary shares are classified as equity and the shares are fully paid up.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are shown as a deduction from equity.

Shares acquired by Blue Label Telecoms for its own employees' equity compensation benefit scheme as well as the shares procured by the subsidiaries in terms of this scheme are accounted for as treasury shares in the group statement of financial position.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating expenses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred when the relevant contracts are entered into. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after year end.

Normal taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at year end in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Uncertain tax positions are considered by the group at the level of the individual uncertainty or group of related uncertainties.

Deferred taxation

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by year end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Secondary tax on companies (STC)

South African companies are subject to a dual corporate tax system, one part of the tax being levied on the taxable income and the other, a secondary tax (STC) on distributed income. STC is not a withholding tax on shareholders but a tax on companies.

The STC tax consequence of dividends is recognised when a liability to pay the dividend is recognised. The STC liability is reduced by dividends received during the dividend cycle, and where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate. STC is a charge against income, and is recognised in the taxation charge in the statement of comprehensive income in the same period as the related dividend is accrued as a liability.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within the normal operating cycle of the business. If not, they are presented as non-current liabilities.

Trade payables are measured initially at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of indirect taxes, estimated returns, rebates and discounts and after eliminated sales within the group.

Revenue from the sale of goods and the rendering of services is recognised when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue, and associated costs incurred or to be incurred, can be measured reliably.

The main categories of revenue and the bases of recognition are as follows:

(a) Sale of starter packs

Revenue is recognised when the significant risks and rewards of ownership are transferred to the customer, and when the entity no longer retains continuing managerial involvement to the degree usually associated with ownership.

Activation bonuses received from the networks are recognised when the SIM-card is activated on the relevant cellular phone network. Ongoing revenue and other incentives are recognised once certain criteria have been met. The point of activation is determined by the relevant cellular phone networks.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) Sales of prepaid airtime

Sales of prepaid airtime are recognised when the group sells the airtime to the customer. Sales are recorded based on the price specified in the sales contracts, net of discounts at the time of sale.

(c) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Electricity commission

Commissions on the sale of prepaid electricity are recognised when the group sells electricity to the customer on behalf of the utility suppliers. Commissions are recorded based on agreed rates per the contracts. For this category of revenue the group acts as an agent, for all other categories the group acts as a principal.

Employee benefits

(a) Equity compensation benefit

The group operates an equity-settled forfeitable share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the group. The fair value of the services received in exchange for the grant of forfeitable shares is recognised as an expense. The total amount to be expensed is determined by the fair value of the forfeitable shares granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the vesting conditions are to be satisfied. At each reporting date, the entity recognises the impact of any shares that have been forfeited prior to the end of the vesting period, if any, in the statement of comprehensive income with a corresponding adjustment to equity.

The subsidiaries procure the shares in order to settle the award but these are accounted for as a purchase of shares in the holding company and only once the shares vest as the performance conditions are met would the share be derecognised. When shares are derecognised the investment in shares in Blue Label Telecoms Limited will be credited and equity will be debited as a contribution to the shareholder.

(b) Bonus plans

The group recognises a liability and an expense for bonuses. A provision is recognised where the group is contractually obliged or where there is a past practice that has created a constructive obligation.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Leave pay accrual

The group recognises a liability and an expense for leave. The accrued liability is determined by valuing all future leave expected to be taken and payments expected to be made in respect of benefits.

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which they are approved by the shareholders.

Core net profit

Core net profit is a non-IFRS measure used by the group in evaluating the group's performance. This supplements the IFRS measures. Core net profit is calculated by adjusting net profit for the year with the amortisation of intangible assets that arise as a consequence of the purchase price allocations completed in terms of IFRS 3: Business Combinations.

Reconciliations of core net profit to relevant IFRS measures are presented in note 24 (core HEPS) and note 31 (segmental summary).

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Assessment of goodwill for impairment

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Refer to note 5 for details on these estimates.

(b) Classification of starter packs assets

The group assesses at year end the classification of starter packs assets between current and non-current. This assessment takes into consideration historical trends and an analysis of the expected period to receipt of the cash.

(c) Capitalisation of development cost

The group capitalises development costs relating to software development. Costs incurred on development projects of identifiable and unique products which are controlled by the group are recognised as intangible assets when it is probable that the project will be profitable considering its commercial and technical feasibility, and its costs can be measured reliably. Management makes some estimates on the technical feasibility of project and, based on the estimates and the recognition criteria, cost are capitalised. Refer to note 5 for details of amounts capitalised during the year.

(d) Equity compensation benefit

In determining the number of forfeitable shares that will vest due to performance conditions being met, management assesses the attrition rates of staff based on the grades of staff that have been granted awards as well as the historic staff turnover.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(e) Income taxes

As with any enterprise, the group faces uncertainties in the markets in which it operates over which it has little or no control. The group is subject to income tax in numerous jurisdictions and judgement is required in determining the provision for tax.

There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces.

Changes in the estimates of the consideration could result in the recognition of material adjustments in future periods.

(f) Valuation of intangible assets acquired as part of a business combination

The fair values of all of the identifiable intangible assets acquired as part of a business combination are determined using recognised valuation techniques. Such techniques often rely on forecasts of future cash flows and the use of appropriate discount rates that reflect the risk factors associated with the cash flows.

These valuations are based on information at the time of the acquisition and the expectations and assumptions that have been deemed reasonable by the group's management. The risk exists that the underlying assumptions or events associated with such assets will not occur as projected. For these reasons, among others, the actual cash flows may vary from forecasts of future cash flows.

(g) Impairment on classification to non-current assets held-for-sale

The fair values of assets and liabilities classified as non-current assets held-for-sale are determined based on their indicative sales values.

3. FINANCIAL RISKS

In the course of its business, the group is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency, interest rate and other price risks). This note presents the group's objectives, policies and processes for managing its financial risk and capital.

Risk management is monitored and managed by key personnel of each entity on a daily basis based on their specific operational requirements.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the group. The group is exposed to credit risk on financial assets mainly in respect of trade receivables, loans receivable and cash and cash equivalents.

Trade receivables consist primarily of invoiced amounts from normal trading activities. The group has a diversified customer base and policies are in place to ensure sales are made to customers with an appropriate credit history and payment history. Individual credit limits are set for each customer and the utilisation of these credit limits is monitored regularly. A customer cannot exceed their set credit limit,without specific senior management approval. Such approval is assessed and granted on a case-by-case basis. Where necessary, a provision for impairment is made. A portion of the group's customer base is made up of major retailers, with the balance of the customer base being widely dispersed.

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

The group places cash and cash equivalents with major banking groups and quality institutions that have high credit ratings.

The group has significant concentrations of credit risk with Investec Bank Limited in line with its treasury function.

The group has a R750 million (2010: R650 million) facility with Investec Bank Limited. The facility can be utilised by the group as a guarantee facility or loan facility. A guarantee of R750 million (2010: R650 million) has been issued by Investec Bank Limited on behalf of the group. The facility bears certain debt covenants. As at 31 May 2011 the group has not been placed in breach in respect of these debt covenants. The group has pledged certain securities in respect of this facility. (Refer to notes 11 and 13.)

The group's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the group could have to pay if the sureties are called on, amounting to R5.6 million (2010: R9.8 million).

3. FINANCIAL RISKS (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (where available) or to historical information about counterparty default rates:

	2011 R'000	2010 R'000
Loans receivable		
Group 1	2 399	5 550
Group 2	29 971	38 067
	32 370	43 617
Trade receivables		
Group 1	39 950	427
Group 2	829 250	825 405
Group 3	13 050	22 341
Total unimpaired trade receivables	882 250	848 173

The effect of discounting of the trade receivables is not taken into account in the above table.

The rating groups for counterparties are categorised as follows:

Group 1 – New customers/related parties (less than six months).

Group 2 – Existing customers/related parties (more than six months) with no defaults in the past.

Group 3 – Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered or are in the process of being recovered.

	2011 R'000	2010 R'000
3. FINANCIAL RISKS (continued)		
Credit risk (continued)		
Cash at bank and short-term bank deposits		
Credit rating based on latest Fitch local currency long-term issuer default ratings		
AAA	30 945	5 832
A	62 944	35 820
A-	—	21 011
AA-	34 552	18 485
BBB+	2 038 696	444 977
BBB	5 789	1 475 813
BBB-	7 458	31 046
B+	42 793	4 010
Other	2 454	7 463
	2 225 631	2 044 457

3. FINANCIAL RISKS (continued)

Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. The group's objective is to maintain prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the group aims to maintain flexibility in funding by keeping committed credit lines available.

Cash flow forecasting is performed in the operating entities of the group to ensure sufficient cash to meet operational needs while maintaining sufficient headroom to ensure that borrowing limits (where applicable) are not breached.

Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the group treasury. Group treasury invests surplus cash in interest-bearing accounts, choosing instruments with sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity of financial liabilities

			Payable in:		
	Less than 1 month or on demand R'000	More than 1 month but not exceeding 1 year R'000	More than 1 year but not exceeding 2 years R'000	More than 2 years but not exceeding 5 years R'000	More than 5 years R'000
2011					
Interest-bearing borrowings	**15 897**	**3 458**	—	—	—
Trade and other payables*	**2 007 210**	**22 265**	—	—	—
Bank overdraft	**527**	—	—	—	—
Total	**2 023 634**	**25 723**	—	—	—
2010					
Interest-bearing borrowings	—	2 768	3 623	12 457	—
Trade and other payables*	568 936	1 084 106	—	—	—
Bank overdraft	2 175	—	—	—	—
Total	571 111	1 086 874	3 623	12 457	—

** Trade and other payables exclude non-financial instruments being VAT and certain amounts included within accruals and sundry creditors.*

3. FINANCIAL RISKS (continued)

Market risk

The group is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions. The group is not exposed to significant levels of price risk.

All financial assets at fair value through profit and loss are level 3 financial assets.

The available-for-sale financial assets are level 3 financial assets and have been disclosed in note 7.

Cash flow and fair value interest rate risk

The group's cash flow interest rate risk arises from loans receivable, cash and cash equivalents and borrowings carrying interest at variable rates. The group is not exposed to fair value interest rate risk as the group does not have any fixed interest-bearing instruments carried at fair value.

The group's exposure to interest rate risk is reflected under the respective borrowings and cash and cash equivalents notes (notes 17 and 14). As part of the process of managing the group's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign currency risk

The group is exposed to foreign currency risk from transactions and translation. Transaction exposure arises because affiliated companies undertake transactions in currencies other than their functional currency.

The group manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments are used in certain instances to reduce risks arising from foreign currency fluctuations.

The group did not enter into any forward exchange contracts during the period under review.

3. FINANCIAL RISKS (continued)

IFRS 7 Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand against all other currencies, from the rates applicable at 31 May 2011, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

Interest rate risk

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2011 would increase or decrease profit tax by R22.1 million (2010: R20.7 million).

3. FINANCIAL RISKS (continued)

Foreign currency risk

Financial instruments by currency

	ZAR R'000	USD R'000	AUD R'000	EUR R'000	MxM R'000	NgN R'000	GBP R'000	Total R'000
2011								
Financial assets								
Cash and cash equivalents	2 108 330	65 438	—	24	—	52 905	—	2 226 697
Trade and other receivables*	879 595	745	—	—	—	5 746	—	886 086
Loans receivable	32 370	—	—	—	—	—	—	32 370
Financial assets at fair value through profit or loss	10	—	—	—	—	—	—	10
	3 020 305	66 183	—	24	—	58 651	—	3 145 163
Financial liabilities	—	—	—	—	—	—	—	—
Interest-bearing borrowings	19 355	—	—	—	—	—	—	19 355
Trade and other payables*	2 008 221	2 970	—	8	—	18 022	254	2 029 475
Bank overdraft	527	—	—	—	—	—	—	527
	2 028 103	2 970	—	8	—	18 022	254	2 049 357
Net financial position	992 202	63 213	—	16	—	40 629	(254)	1 095 806

* *Trade and other receivables, and trade and other payables exclude non-financial instruments.*

3. FINANCIAL RISKS (continued)

	ZAR R'000	USD R'000	AUD R'000	EUR R'000	MxM R'000	NgN R'000	GBP R'000	Total R'000
2010								
Financial assets								
Cash and cash equivalents	1 969 675	21 249	160	—	760	65 233	—	2 057 077
Trade and other receivables*	796 550	24 148	73	—	4 435	139 912	—	965 118
Loans receivable	24 974	18 643	—	—	—	—	—	43 617
Financial assets at fair value through profit or loss	150	—	—	—	—	—	—	150
	2 791 349	64 040	233	—	5 195	205 145	—	3 065 962
Financial liabilities								
Interest-bearing borrowings	18 848	—	—	—	—	—	—	18 848
Trade and other payables*	1 496 754	613	189	130	2 496	152 241	619	1 653 042
Bank overdraft	2 175	—	—	—	—	—	—	2 175
	1 517 777	613	189	130	2 496	152 241	619	1 674 065
Net financial position	1 273 572	63 427	44	(130)	2 699	52 904	(619)	1 391 897

** Trade and other receivables, and trade and other payables exclude non-financial instruments.*

3. FINANCIAL RISKS (continued)

Foreign currency risk (continued)

Financial instruments by currency (continued)

With a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have increased or decreased by R10.4 million respectively.

In the prior year, with a 10% strengthening or weakening in the rand against all other currencies, profit before tax would have decreased or increased by R11.8 million.

Capital risk

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The group defines capital as capital and reserves and non-current borrowings.

The group is not subject to externally imposed capital requirements.

There were no changes to the group's approach to capital management during the year.

Fair value measurement

For all short-term financial assets and liabilities, the carrying amount is regarded as an approximation of the fair value.

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000
4. PROPERTY, PLANT AND EQUIPMENT			
Year ended 31 May 2011			
Opening carrying amount	**13 484**	**7 641**	**11 135**
Additions	**11 252**	**1 571**	**4 521**
Disposals	**(1 938)**	**(362)**	**(1 863)**
Depreciation charge	**(8 116)**	**(1 676)**	**(3 753)**
Impairment charges*	**(2 087)**	**(873)**	**(943)**
Translation differences	**(285)**	**(86)**	**(230)**
Transferred to disposal group classified as held-for-sale	**(994)**	**(419)**	**(452)**
Closing carrying amount	**11 316**	**5 796**	**8 415**
At 31 May 2011			
Cost	**36 495**	**11 167**	**15 807**
Accumulated depreciation	**(25 027)**	**(4 916)**	**(7 392)**
Accumulated impairments	**(152)**	**(455)**	**—**
Carrying amount	**11 316**	**5 796**	**8 415**
Year ended 31 May 2010			
Opening carrying amount	13 507	9 052	13 446
Additions	10 144	3 359	6 276
Disposals	(2 404)	(2 410)	(3 963)
Depreciation charge	(7 276)	(1 804)	(4 083)
Impairment charges	(152)	(455)	—
Translation differences	(335)	(101)	(541)
Closing carrying amount	13 484	7 641	11 135
At 31 May 2010			
Cost	34 387	12 384	17 033
Accumulated depreciation	(20 751)	(4 288)	(5 898)
Accumulated impairments	(152)	(455)	—
Carrying amount	13 484	7 641	11 135

** All impairment charges in the current year relate to Africa Prepaid Services Nigeria, the assets of which have been transferred to non-current assets held-for-sale. Refer to note 15.*

Office equipment R'000	Leasehold improvements R'000	Terminals and vending machines R'000	Media equipment R'000	Plant and machinery R'000	Buildings R'000	Total R'000
3 027	**33 624**	**84 435**	**—**	**1 710**	**1 832**	**156 888**
2 097	**13 986**	**37 194**	**2 729**	**185**	**—**	**73 535**
(44)	**(494)**	**(8 084)**	**—**	**(210)**	**—**	**(12 995)**
(1 518)	**(8 249)**	**(22 418)**	**(1 056)**	**(485)**	**—**	**(47 271)**
(149)	**(90)**	**(11 001)**	**—**	**(380)**	**—**	**(15 523)**
(11)	**(57)**	**(731)**	**—**	**(81)**	**—**	**(1 481)**
(71)	**(43)**	**(11 245)**	**—**	**(182)**	**—**	**(13 406)**
3 331	**38 677**	**68 150**	**1 673**	**557**	**1 832**	**139 747**
7 238	**50 078**	**122 314**	**2 729**	**1 108**	**1 832**	**248 768**
(3 487)	**(11 401)**	**(54 164)**	**(1 056)**	**(551)**	**—**	**(107 994)**
(420)	**—**	**—**	**—**	**—**	**—**	**(1 027)**
3 331	**38 677**	**68 150**	**1 673**	**557**	**1 832**	**139 747**
3 697	9 274	49 400	4 093	710	1 832	105 011
1 490	27 317	54 106	—	1 681	—	104 373
(472)	(95)	(2 359)	(2 728)	(353)	—	(14 784)
(1 239)	(2 825)	(16 784)	(1 365)	(335)	—	(35 711)
(420)	—	—	—	—	—	(1 027)
(29)	(47)	72	—	7	—	(974)
3 027	33 624	84 435	—	1 710	1 832	156 888
6 001	38 274	123 122	—	2 060	1 832	235 093
(2 554)	(4 650)	(38 687)	—	(350)	—	(77 178)
(420)	—	—	—	—	—	(1 027)
3 027	33 624	84 435	—	1 710	1 832	156 888

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment include the following amounts where the group is a lessee under a finance lease:

	2011 R'000	2010 R'000
Motor vehicles		
Cost	—	4 433
Accumulated depreciation	—	(1 171)
Carrying value at 31 May	—	3 262

These assets were pledged as surety against the liability.

5. INTANGIBLE ASSETS

	Goodwill R'000	Trademarks R'000	Customer listing R'000	Distribution agreement R'000
Year ended 31 May 2011				
Opening carrying amount	242 562	4 121	3 210	6 729
Additions	—	—	1 029	3 410
Disposals	—	—	—	—
Amortisation charge	—	(736)	(1 439)	(2 591)
Impairment charges	(27 985)	—	—	(1 878)
Translation differences	257	—	—	—
Closing carrying amount	214 834	3 385	2 800	5 670
At 31 May 2011				
Cost	256 648	7 167	32 817	16 716
Accumulated amortisation	—	(3 782)	(30 017)	(9 168)
Accumulated impairments	(41 814)	—	—	(1 878)
Carrying amount	214 834	3 385	2 800	5 670

* *Included in the amortisation charge is an amount of R7 million (2010: R4.9 million) in respect of the purchased starter pack bases, which is charged to the changes in inventories of finished goods line in the statement of comprehensive income.*

** *This represents independently distributed starter pack bases purchased during the current and prior year. The remaining amortisation periods are 84 months and 67 months respectively.*

	Computer software R'000	Internally generated software R'000	Franchise fees R'000	Customer relationships R'000	Purchased starter pack bases** R'000	Total R'000
	41 535	38 015	1 659	45 119	53 874	436 824
	15 419	9 296	700	—	82 807	112 661
	(386)	(169)	—	—	—	(555)
	(13 596)	(9 406)	(227)	(25 306)	(6 997)*	(60 298)
	(12 751)	(12 703)	—	—	—	(55 317)
	(56)	(3)	—	—	—	198
	30 165	25 030	2 132	19 813	129 684	433 513
	86 683	56 031	3 118	126 673	141 579	727 432
	(46 952)	(16 638)	(986)	(106 245)	(11 895)	(225 683)
	(9 566)	(14 363)	—	(615)	—	(68 236)
	30 165	25 030	2 132	19 813	129 684	433 513

5. INTANGIBLE ASSETS (continued)

The carrying amount of goodwill and intangible assets have been reduced to their recoverable amounts through recognition of an impairment loss.

Intangible asset impairments

A distribution agreement of R1.9 million in the Mobile segment has been fully impaired to nil due to the decline in revenue as a result of a cut back in network marketing spend for mobile content downloads.

Computer software of R9.5 million has been impaired due to the commitment to dispose of the Nigeria business. (Refer note 15.)

Computer software of R3 million relating to the International segment has been fully impaired to nil, as a result of the fall in the competitive edge that payphones traditionally had over mobile phones.

Internally generated software of R12.7 million has been impaired due to management's decision that the development of the software is no longer commercially viable.

The above factors have also been taken into account in the impairment charges of goodwill.

	Goodwill R'000	Trademarks R'000	Customer listing R'000	Distribution agreement R'000
Year ended 31 May 2010				
Opening carrying amount	257 495	4 821	18 979	7 440
Additions	—	65	—	1 500
Disposals	(1 127)	—	(13 859)	—
Amortisation charge	—	(765)	(1 926)	(2 211)
Impairment charges	(13 829)	—	—	—
Translation differences	23	—	16	—
Closing carrying amount	242 562	4 121	3 210	6 729
At 31 May 2010				
Cost	256 391	9 158	31 788	13 306
Accumulated amortisation	—	(5 037)	(28 578)	(6 577)
Accumulated impairments	(13 829)	—	—	—
Carrying amount	242 562	4 121	3 210	6 729

Computer software has been impaired due to the resale capabilities of this software not materialising as previously anticipated.

5. INTANGIBLE ASSETS (continued)

Change in accounting estimate

2010

No change in accounting estimate.

2011

The amortisation of the purchased starter pack base was changed during the year from five to seven years. The (decrease)/increase of this change on the amortisation is as follows:

	Gross R'000	Tax R'000	Net R'000
2011	(4 758)	1 332	(3 426)
2012	(3 358)	940	(2 418)
2013	(3 358)	940	(2 418)
2014	(3 358)	940	(2 418)
2015	1 539	(430)	1 109
Thereafter	13 293	(3 722)	9 571

Computer software R'000	Internally generated software R'000	Franchise fees R'000	Customer relationships R'000	Supplier relationships R'000	Purchased starter pack base R'000	Total R'000
53 572	22 076	1 780	93 852	310	—	460 325
8 729	22 228	—	150	—	58 772	91 444
(298)	(207)	—	(13 124)	—	—	(28 615)
(14 053)	(4 428)	(121)	(35 144)	(310)	(4 898)	(63 856)
(6 281)	(1 660)	—	(615)	—	—	(22 385)
(134)	6	—	—	—	—	(89)
41 535	38 015	1 659	45 119	—	53 874	436 824
83 907	47 823	2 418	126 673	—	58 772	630 236
(36 091)	(8 148)	(759)	(80 939)	—	(4 898)	(171 027)
(6 281)	(1 660)	—	(615)	—	—	(22 385)
41 535	38 015	1 659	45 119	—	53 874	436 824

5. INTANGIBLE ASSETS (continued)

The cash-generating units to which goodwill is allocated are presented below:

	2011 R'000	2010 R'000
Africa Prepaid Services Nigeria Limited[1]	—	13 296
Blue Label Distribution	36 364	36 364
Cellfind (Proprietary) Limited	21 406	21 406
Content Connect Africa (Proprietary) Limited[2]	9 429	18 738
Little River Trading 181 (Proprietary) Limited (trading as Crown Cellular)	62 113	62 113
SharedPhone International (Proprietary) Limited[2]	2 499	7 877
Datacel group	83 023	83 023
Translation differences	—	(255)
	214 834	242 562

1 The goodwill relating to Africa Prepaid Services Nigeria has been impaired in the current year due to the cancellation of the contract with Multi-Links. Refer to note 15.

2 The goodwill arising on the acquisition of SharedPhone International and Content Connect Africa has been partially impaired in the current year due to the fair value less cost to sell being less than the carrying value.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The recoverable amount, which is the higher of fair value less cost to sell and value in use of CGUs (excluding SharedPhone International and Content Connect Africa), has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the board of directors for the forthcoming year and forecasts for up to five years which are based on assumptions of the business, industry and economic growth. Cash flows beyond this period are extrapolated using terminal growth rates, which do not exceed the expected long-term economic growth rate.

The average growth rates applied were between 1.5% and 4.5% (2010: 1.5% and 4.5%). The weighted average cost of capital used to discount these cash flows ranged between 15% and 22% (2010: 17% and 27%). The discount rates used are pre-tax and reflect specific risks relating to the relevant companies.

The recoverable amount of SharedPhone International and Content Connect Africa is based on fair value less cost to sell. The fair value is based on indicative sales values for the respective businesses.

The valuation of the goodwill balances resulted in goodwill impairment charges of R27 985 257 for the year (2010: R13 829 170).

If one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised.

		2011 R'000	2010 R'000
6.	**INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**		
	Cost and share of reserves at beginning of year	76 146	86 892
	Acquisition of associates and joint ventures	143 365	*
	Share of losses from associates and joint ventures	(2 757)	(14 982)
	Share of results after tax	(1 527)	(13 699)
	Amortisation of intangible assets	(1 607)	(1 959)
	Deferred tax on intangible assets amortisation	449	549
	(Loss)/profit on dilution	(72)	127
	Foreign currency translation reserve	1 747	(7 141)
	Equity compensation benefit	942	1 227
	Dividends received	(1 416)	—
	Other reserves	—	10 150
	Cost and share of reserves at end of year	218 027	76 146
	Loans at beginning of year	20 742	22 945
	Loans granted to associates and joint ventures	1 373	451
	Loans repaid by associates	—	(320)
	Movement in funding	(145)	(1 587)
	Unrealised foreign exchange loss on loans to associates	—	(747)
	Loans at end of year	21 970	20 742
	Closing net book value	239 997	96 888

The investments in joint ventures and associates have been split between the investments in shares and loans, with the comparative information updated accordingly.

The directors believe that the carrying value of the shares approximates their fair value.

The loans are neither past due nor impaired with a low risk of default.

Loans to/from associates and joint ventures have no fixed terms of repayment.

Investments in associates and joint ventures include goodwill to the value of R163 million (2010: R28 million).

** Less than R1 000.*

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Associates

The group's interest in its principal associates, which are unlisted, is as follows:

Name	Country of incorporation	Assets R'000	Liabilities R'000	Revenues R'000	Profit/(Loss) R'000	Effective percentage interest held	Net book value R'000
2011							
Oxigen Services India (Private) Limited	India	**115 472**	**70 501**	**1 742 446**	**(13 871)**	**37.22**	**59 992**
Smart Voucher Limited	United Kingdom	**246 198**	**213 074**	**141 544**	**22 114**	**15.75**	**37 546**
Dual Data (Proprietary) Limited	South Africa	**11**	**14**	**27**	*	**50**	*
BLK Risk Services (Proprietary) Limited	South Africa	**1 324**	**429**	**—**	**—**	**25**	**220**
2010							
Oxigen Services India (Private) Limited	India	123 070	67 153	1 450 276	(19 069)	37.22	63 117
Smart Voucher Limited	United Kingdom	137 234	127 838	87 439	(20 456)	15.79	27 648
Dual Data (Proprietary) Limited	South Africa	117	116	3 954	—	50	*
BLK Risk Services (Proprietary) Limited	South Africa	1 324	429	—	—	25	220

There are no contingent liabilities relating to the group's interest in associates. For details on related party transactions refer to note 29.

** Less than R1 000.*

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Joint ventures

See note 27 for details of the acquisition of 40% in Blue Label Mexico S.A de C.V. on 23 February 2011.

Shares in joint ventures acquired during the prior year:

	Date acquired	Effective percentage acquired
2010		
Datacision (Proprietary) Limited	1 December 2009	50
Bela Phone Company (Proprietary) Limited	26 November 2009	51

Set out below is the summarised financial information of joint ventures:

Name	Country of incorporation	Non-current assets R'000	Current assets R'000	Current liabilities R'000	Revenues R'000	Profit/ (Loss) R'000	Effective percentage interest held	Net book value R'000
2011								
Blue Label Mexico S.A de C.V	Mexico	19 904	97 424	9 230	26 856*	(15 501)*	40	193 950
Demtrade 11 (Proprietary) Limited	South Africa	—	2 513	1 483	10 536	84	46.25	4 730
Bela Phone Company (Proprietary) Limited	South Africa	—	2 521	5 330	1 139	(2 043)	51	408
Datacision (Proprietary) Limited	South Africa	—	915	62	4 856	2 396	50	428

In the current year, Demtrade 11 (Proprietary) Limited was diluted by 3.75%.
Premet Cellular (Proprietary) Limited was disposed of in the current year at par value.

** This relates to the results for the period 23 February 2011 to 31 May 2011.*

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Joint ventures (continued)

Name	Country of incorporation	Current assets R'000	Current liabilities R'000	Revenues R'000	Profit/(Loss) R'000	Effective percentage interest held	Net book value R'000
2010							
Premet Cellular (Proprietary) Limited	South Africa	1 026	6 998	—	—	40	*
Demtrade 11 (Proprietary) Limited	South Africa	7 923	6 040	10 780	715	50	5 514
Bela Phone Company (Proprietary) Limited	South Africa	1 162	1 928	336	(766)	51	159
Datacision (Proprietary) Limited	South Africa	561	104	859	457	50	229

There are no contingent liabilities relating to the group's interest in joint ventures.

**Less than R1 000.*

	2011 R'000	2010 R'000
7. AVAILABLE-FOR-SALE FINANCIAL ASSET		
Opening balance	—	—
Additions	20 911	—
Impairments	(20 911)	—
Closing balance	—	—

On 30 November 2009, Africa Prepaid Services (Proprietary) Limited ('APS'), a Blue Label Telecoms subsidiary, disposed of its 90% shareholding in Africa Prepaid Services Mozambique Limitada for US$3.95 million, to AP Capital Limitada ('AP') (the non-controlling interest in the company). The terms of this sale was a down payment of US$1 million, with the balance being deferred to 31 May 2010.

As at 11 February 2011, an amount of US$2.95 million was still outstanding from AP as AP was unable to expunge this debt in the required time frame. As settlement of the amount outstanding, AP transferred APS their 20% shareholding in Empresa Moçambicana de Telecommunicaçoes S.A.R.L. ('Emotel').

Management has designated this investment as an available-for-sale financial asset, as there is no board representation or any other factors which could lead to significant influence.

As a result of a decrease in the estimated future cash flows associated with this asset, an impairment of the full value has been recognised in the statement of comprehensive income.

	2011 R'000	2010 R'000
8. STARTER PACK ASSETS		
Balance at the beginning of the year	94 293	121 545
Additions	4 889	18 033
Impairments*	(8 485)	(23 080)
Disposals*	(53 559)	(21 757)
Translation differences	—	(448)
At the end of the year	37 138	94 293
Less: Current portion	(16 777)	(77 467)
	20 361	16 826

* *These impairments and disposals are charged to the statement of comprehensive income and are included in changes in inventories of finished goods. The impairments represent the value of starter packs that management considers the probability of activation to be low. The disposals represent starter packs that have activated during the current year.*

9. DEFERRED TAXATION

	Capital allow-ances R'000	Fair value gains R'000	Pro-visions R'000	Tax losses R'000	Pre-payments R'000	Other R'000	Total R'000
At 31 May 2009	2 863	40 467	(3 806)	(10 989)	1 389	12 255	42 179
Charge/(Credited) to statement of comprehensive income	2 505	(11 948)	1 852	(5 502)	(447)	(3 477)	(17 017)
Disposal of subsidiary (note 27)	—	—	—	—	—	(3 882)	(3 882)
Foreign currency translations	—	—	—	210	—	(29)	181
At 31 May 2010	5 368	28 519	(1 954)	(16 281)	942	4 867	21 461
Charge/(Credited) to statement of comprehensive income	(3 569)	(7 743)	(3 997)	(1 982)	1 592	(1 799)	(17 498)
Foreign currency translations	—	—	—	—	—	186	186
At 31 May 2011	1 799	20 776	(5 951)	(18 263)	2 534	3 254	4 149

		2011 R'000	2010 R'000
9.	**DEFERRED TAXATION (continued)**		
	Deferred tax asset comprises:		
	Capital allowances	**(797)**	(2 075)
	Fair value gains	**—**	265
	Provisions	**(5 981)**	(2 461)
	Tax losses	**(18 263)**	(5 472)
	Prepayments	**—**	(449)
	Other	**(725)**	37
	Total deferred tax asset	**(25 766)**	(10 155)
	Deferred tax liability comprises:		
	Capital allowances	**2 596**	7 443
	Fair value gains	**20 776**	28 254
	Provisions	**30**	507
	Tax losses	**—**	(10 809)
	Prepayments	**2 534**	1 391
	Other	**3 979**	4 830
	Total deferred tax liability	**29 915**	31 616
	Net deferred taxation	**4 149**	21 461

In the prior year, the group's subsidiary in Nigeria was granted a five-year company income tax holiday. Furthermore, capital allowances arising on capital expenditure incurred during this five-year period may be carried forward and claimed as deductions against taxable income from the sixth year of operations onwards. A deferred tax asset of R2 million, relating to these deductible temporary differences,was recognised for the year ended 31 May 2010.

Where deferred tax assets have been recognised in respect of entities which have incurred losses in the current or prior years, a formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilised within one to five years.

		2011 R'000	2010 R'000
9.	**DEFERRED TAXATION (continued)**		
	The analysis of deferred tax assets and deferred tax liabilities is as follows:		
	Deferred tax assets		
	Deferred tax assets to be recovered after more than 12 months	**(8 636)**	(17 872)
	Deferred tax assets to be recovered within 12 months	**(9 411)**	(8 781)
		(18 047)	(26 653)
	Deferred tax liabilities		
	Deferred tax liabilities to be recovered after more than 12 months	**656**	25 768
	Deferred tax liabilities to be recovered within 12 months	**21 540**	22 346
		22 196	48 114
	Net deferred tax liability	**4 149**	21 461

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of R19.6 million (2010: R28.2 million) in respect of losses amounting to R70 million (2010: R98.9 million) that can be carried forward against future taxable income.

		2011 R'000	2010 R'000
10.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Balance at the beginning of the year	150	10
	Movements in financial assets at fair value through profit and loss	(140)	140
	At the end of the year	10	150
	Changes in the fair value of these assets are recorded in other income.		
	The fair value of financial assets is based on management's best estimate.		
11.	**INVENTORIES**		
	Airtime and related products	1 012 594	560 846
		1 012 594	560 846
	Inventory impairments of R12 million (2010: nil) have been charged to the statement of comprehensive income.		
	Inventories sold during the year have been charged to the statement of comprehensive income and are included in changes of inventories of finished goods.		
	A general notarial bond is held by Investec Bank Limited over airtime up to R750 million (2010: R650 million).		
12.	**LOANS RECEIVABLE**		
	Interest free loans receivable	32 370	43 617
		32 370	43 617
	Loans are unsecured and have no fixed terms of repayment. The loans receivable are neither past due nor impaired with a low risk of default.		
	Of this amount R30 million (2010: R38 million) relates to loans receivable from related parties (refer to note 29).		

		2011 R'000	2010 R'000
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**877 316**	848 943
	Less: Provision for impairment	**(14 064)**	(1 857)
		863 252	847 086
	Sundry debtors and prepayments	**27 245**	89 619
	VAT	**6 368**	8 846
	Rebates receivable	**—**	14 451
	Proceeds due on disposal of subsidiaries*	**—**	22 615
	Receivables from related parties (refer to note 29)	**17 299**	4 662
		914 164	987 279

The carrying value of trade and other receivables approximates their fair value.

** This amount was secured by shares held in the purchaser's personal capacity.*

		Gross R'000	Impairment R'000
13.	**TRADE AND OTHER RECEIVABLES (continued)**		
	The ageing of trade receivables at the reporting date was:		
	31 May 2011		
	Fully performing	**844 185**	**317**
	Past due by 1 to 30 days	**19 594**	**750**
	Past due by 31 to 60 days	**9 269**	**869**
	Past due by 61 to 90 days	**7 080**	**2 589**
	Past due by more than 90 days	**16 186**	**9 539**
		896 314	**14 064**
	31 May 2010		
	Fully performing	805 817	25
	Past due by 1 to 30 days	32 078	9
	Past due by 31 to 60 days	3 351	—
	Past due by 61 to 90 days	1 243	—
	Past due by more than 90 days	7 541	1 823
		850 030	1 857

Receivables in respect of starter packs are included in fully performing debtors above.

The effect of discounting of the trade receivables balance of R1 699k (2010: (R3 575k)) is not taken into account in the above table.

The trade receivables that are neither past due nor impaired relate to a number of independent customers for whom there is no recent history of default.

		2011 R'000	2010 R'000
13.	**TRADE AND OTHER RECEIVABLES (continued)**		
	Provision for impairment of receivables		
	At 1 June	**1 857**	3 192
	Allowances made during the year	**12 977**	1 769
	Disposal of subsidiaries	**(162)**	(319)
	Amounts used and reversal of unused amounts	**(608)**	(2 785)
	At 31 May	**14 064**	1 857

Impairment of receivables is determined after assessing the nature of the customer, their geographic location and specific circumstances.

The group believes that the above provision for impairment of receivables sufficiently covers the risk of default.

There is a cession of trade receivables of R829.4 million (2010: R794.9 million) in favour of Investec Bank Limited.

		2011 R'000	2010 R'000
14.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**2 225 631**	2 046 632
	Cash on hand	**1 066**	10 445
	Favourable balances	**2 226 697**	2 057 077
	Bank overdraft	**(527)**	(2 175)
		2 226 170	2 054 902

Guarantees to the value of R1.2 billion (2010: R1.4 billion) are held by Investec Bank Limited in favour of suppliers, on behalf of the group.

15. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Dilution of majority stake in Blue Label Mexico S.A de C.V.

On 23 February 2011, a strategic alliance was entered into between Blue Label Mexico S.A de C.V. ('BLM') and Grupo Bimbo S.A.B de C.V. ('Bimbo'), a distributor of consumer goods to approximately 800 000 outlets in Mexico. In terms of this arrangement Bimbo purchased 40% of Blue Label Mexico for US$20 million by subscribing to a fresh issue of shares. The recoverable amount at the date of dilution exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised. Details of the assets and liabilities disposed of, and the calculation of the profit on dilution, are disclosed in note 27.

15. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (continued)

Plan to dispose of Africa Prepaid Services Nigeria Limited

Prior to year-end the board of directors committed to disposing of the majority of assets and liabilities of Africa Prepaid Services Nigeria Limited to a third party in Nigeria. The sale was concluded on 15 June 2011. The group has recognised the assets and liabilities of this disposal group at fair value less cost to sell. Fair value has been determined based on prices set as per the sales agreement. The impairment losses have been recorded in the statement of comprehensive income and have been disclosed in note 21.

Analysis of profit for the year from discontinued operations

The combined results of the discontinued operations of Blue Label Mexico and Africa Prepaid Services Nigeria which have been included in the consolidated statement of comprehensive income are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	2011 R'000	2010 R'000
Profit for the year from discontinued operations		
Revenue	536 999	1 087 932
Other income	147 589	—
Gain on remeasuring retained interest in Blue Label Mexico due to loss of control	143 365	—
Foreign currency translation reserve recycled	(4 234)	—
Profit on disposal of subsidiary	6 629	—
Sundry income	1 829	—
Changes in inventories of finished goods	(480 063)	(930 251)
Employee compensation and benefit expense	(35 358)	(27 794)
Depreciation, amortisation and impairment charges	(47 147)	(4 672)
Other expenses	(56 707)	(10 300)
Operating profit	65 313	114 915
Finance costs	(6 420)	(17 187)
Finance income	626	756
Net profit before taxation from discontinued operations	59 519	98 484
Taxation	(1 946)	(1 220)
Net profit for the year from discontinued operations	57 573	97 264
Other comprehensive income from discontinued operations:		
Foreign currency translation reserve recycled to profit or loss	4 234	—
Other comprehensive profit for the year, net of tax	4 234	—
Total comprehensive income for the year	61 807	97 264

	2011 R'000	2010 R'000
15. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS (continued)		
Assets of disposal group classified as held-for-sale*		
Property, plant and equipment	13 406	—
Inventories	6 642	—
Trade and other receivables	433	—
	20 481	—
Liabilities of disposal group classified as held-for-sale*		
Trade and other payables	13 872	—
	13 872	—
Cash flows from discontinued operations		
Operating cash flows	41 753	109 491
Investing cash flows	(4 666)	(13 743)
Total cash flows	37 087	95 748

* *Relates solely to Africa Prepaid Services Nigeria Limited.*

	2011 Number of shares	2010 Number of shares	2011 R'000	2010 R'000
16. SHARE CAPITAL				
Authorised				
Total authorised share capital of ordinary shares (par value of R0.000001 each)	1 000 000 000	1 000 000 000	1	1
Issued				
Balance at the beginning of the year	756 659 181	761 159 181	*	*
Shares acquired during the year	(1 300 000)	(4 500 000)	*	*
Shares vested during the year	909 823	—	*	*
Balance at the end of the year	756 269 004	756 659 181	*	*

** Less than R1 000.*

The total number of shares in issue, including shares held as treasury shares as at 31 May 2011 is 766 360 894 (2010: 766 360 894).

The company acquired 1 300 000 (2010: 4 500 000) shares on the JSE in order to grant forfeitable shares to employees and directors.

The amount paid to acquire these shares was R8 789 983 (2010: R26 554 176). An amount of R8 934 993 (2010: R26 557 517) has been deducted from shareholders' equity. These shares are held as "treasury shares". (The difference relates to shares held by equity accounted group companies.) See note 32 for details on the forfeitable shares.

The directors of the company have unrestricted authority until the following annual general meeting to allot up to 3% of the number of ordinary shares issued in the company as at 31 May 2010, subject to the previous Companies Act of South Africa, and the JSE Listings Requirements.

		2011 R'000	2010 R'000
17.	**INTEREST-BEARING BORROWINGS**		
	Liabilities under non-cancellable finance leases	—	268
	Other borrowings	**19 355**	18 580
		19 355	18 848
	Less: Amounts included in current portion of borrowings	**(3 458)**	(2 768)
		15 897	16 080
	Finance lease liabilities – minimum lease payments due:		
	Not later than one year	—	120
	Later than one year and not later than five years	—	175
		—	295
	Future finance charges on finance leases	—	(27)
	Present value of finance lease liabilities	—	268

The group did not default on any loans or finance lease liabilities, or breach any terms of the underlying agreements during the period.

The carrying value of interest-bearing borrowings approximates their fair value.

Liabilities under non-cancellable finance leases

Liabilities under capitalised finance leases were payable over periods of one to five years at effective interest rates linked to the prime interest rate per annum. They were secured by the motor vehicles to which they related. These were settled in full during the year.

Other borrowings

Other borrowings are unsecured and have no fixed terms of repayment. These borrowings bear interest at prime linked rates.

		2011 R'000	2010 R'000
18.	**TRADE AND OTHER PAYABLES**		
	Trade payables	1 928 385	1 582 391
	Accruals	68 077	74 341
	Sundry creditors	17 930	31 638
	VAT	26 162	16 528
	Payables to related parties (refer to note 29)	6 219	14 009
		2 046 773	1 718 907
19.	**PROVISION**		
	Opening balance	—	—
	Additions	89 628	—
	Used during the year	(80 952)	—
		8 676	—

The provision raised represents the value of electricity vouchers sold and unredeemed as at year end, payable by the group to the municipalities on redemption by the end customer.

Redemption is dependent on activation by customers. This is expected to occur within the first quarter of the following financial year.

		2011 R'000	2010 R'000
20.	**EMPLOYEE COMPENSATION AND BENEFIT EXPENSE**		
	Continuing operations		
	Salaries and wages	236 390	240 525
	Bonuses	14 514	30 048
	Equity compensation benefit	11 132	(117)
	Other	1 324	1 678
		263 360	272 134

Average number of employees for the year was 1 402 (2010: 1 795)

		2011 R'000	2010 R'000
	Discontinued operations		
	Salaries and wages	35 076	21 191
	Bonuses	282	6 603
		35 358	27 794

Average number of employees for the year was 157 (2010: 100)

	2011 R'000	2010 R'000
21. OPERATING PROFIT		
The following items have been charged/(credited) in arriving at operating profit:		
Continuing operations		
Audit fees – services as auditors	11 528	12 975
Audit fees – other	1 484	1 798
Bank charges	11 740	11 765
Communication costs	8 867	13 209
Computer-related costs	7 990	7 135
Consulting fees	15 210	15 708
Courier and postage	4 623	5 722
Fair value movements on financial assets at fair value through profit or loss	140	—
Foreign exchange profit – realised	—	(1 265)
Foreign exchange profit – unrealised	(1 189)	(747)
Foreign exchange loss – realised	1 778	—
Foreign exchange loss – unrealised	1 808	1 360
Foreign currency translation reserve recycled	(15)	—
Impairment of available-for-sale financial asset	20 911	—
Impairment of loans	447	1 704
Impairment of trade receivables	13 990	9 083
Impairment of intangible assets	17 866	8 556
Impairment of goodwill	14 689	13 829
Impairment of inventory	12 047	—
Insurance	11 469	14 269
IT infrastructure costs	8 420	1619

	2011 R'000	2010 R'000
21. OPERATING PROFIT (continued)		
Continuing operations (continued)		
Legal fees	2 321	3 487
Local travel	5 000	5 490
Management fees paid	2 947	3 980
Management fees received	(1 146)	(6 487)
Motor vehicle expenses	7 984	6 619
Operating lease rentals – equipment	7 157	7 618
Operating lease rentals – premises	27 046	24 152
Overseas travel	4 650	6 537
Printing and stationery	2 209	2 725
Profit on disposal of property, plant and equipment	(151)	(571)
Profit on disposal of subsidiaries	(130)	(29 554)
Rent and security	4 329	3 159
Repairs and maintenance	2 327	3 416
Share-based payment expense	—	295
Discontinued operations		
Audit fees – services as auditors	2 082	1 087
Audit fees – other	193	—
Bank charges	1 357	2 740
Communication costs	961	735
Computer-related costs	2 646	815
Consulting fees	9 505	3 141
Courier and postage	1 135	1 264
Foreign exchange loss – realised	8 103	—
Foreign exchange loss – unrealised	—	3 822
Foreign currency translation reserve recycled	4 234	—
Gain on remeasuring existing interest in Blue Label Mexico due to loss of control	(143 365)	—

		2011 R'000	2010 R'000
21.	**OPERATING PROFIT (continued)**		
	Discontinued operations (continued)		
	Impairment of intangible assets	9 466	—
	Impairment of goodwill	13 296	—
	Impairment of fixed assets	15 523	—
	Insurance	417	347
	IT infrastructure costs	499	386
	Legal fees	2 041	547
	Local travel	947	2 122
	Motor vehicle expenses	318	178
	Operating lease rentals – premises	8 716	4 203
	Overseas travel	2 846	3 067
	Printing and stationery	327	417
	Profit on disposal of property, plant and equipment	—	(12)
	Profit on disposal of subsidiary	(6 629)	—
	Rent and security	803	425
	Repairs and maintenance	422	273

	2011 R'000	2010 R'000
22. FINANCE (INCOME)/COSTS		
Interest paid		
Continuing operations		
– Bank	5 464	2 183
– Loans	2 081	1 974
– Finance leases	42	319
– Other	507	616
– Discounting of payables	107 751	102 035
	115 845	107 127
Discontinued operations		
– Bank	60	—
– Other	67	39
– Discounting of payables	6 293	17 148
	6 420	17 187

	2011 R'000	2010 R'000
22. FINANCE (INCOME)/COSTS (continued)		
Interest received		
Continuing operations		
– Bank	(49 795)	(82 389)
– Loans	(159)	(481)
– Other	(65)	(504)
– Discounting of receivables	(96 410)	(77 644)
	(146 429)	(161 018)
Discontinued operations		
– Bank	(536)	(684)
– Loans	—	—
– Other	(90)	(72)
– Discounting of receivables	—	—
	(626)	(756)
Net finance income – Continuing operations	(30 584)	(53 891)
Net finance cost – Discontinued operations	5 794	16 431

	2011 R'000	2010 R'000
23. TAXATION		
Current tax	**162 270**	181 997
Current year	**161 953**	181 981
Prior year adjustment	**317**	16
Deferred tax	**(19 335)**	(18 396)
Current year	**(19 335)**	(18 769)
Prior year adjustment	**—**	373
Withholding tax	**—**	1 935
STC	**9 241**	
	152 176	165 536
Profit before tax	**479 574**	493 453
Tax at 28%	**134 281**	138 167
Income not subject to tax	**(2 434)**	(9 383)
Expenses not deductible for tax purposes	**11 844**	8 078
Capital gains	**—**	3 928
Donations tax	**(205)**	205
STC	**9 241**	—
Utilisation of previously unrecognised tax losses	**(8 860)**	(109)
Tax effect of assessed losses not recognised	**9 686**	15 296
Share of losses from associates	**772**	4 195
Prior year adjustment	**317**	389
Effect of different tax dispensations	**(80)**	(347)
Withholding tax	**—**	1 935
Effect of discontinued operations	**(2 386)**	3 182
Tax charge	**152 176**	165 536

	2011	2010
24. EARNINGS PER SHARE		
a) Basic		
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.		
Profit from continuing operations attributable to equity holders of the company (R'000)	337 547	328 570
Profit from discontinued operations attributable to equity holders of the company (R'000)	93 901	36 452
Profit attributable to equity holders of the company (R'000)	431 448	365 022
Weighted average number of ordinary shares in issue (thousands)	756 359	757 793
Basic earnings per share (cents per share)		
From continuing operations (cents per share)	44.63	43.36
From discontinued operations (cents per share)	12.41	4.81
	57.04	48.17

24. EARNINGS PER SHARE (continued)

b) Headline

Headline earnings are calculated applying the principles contained in SAICA circular 3/2009. The weighted average number of shares used, is the same as that used for the basic earnings per share.

	2011			
	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
Profit attributable to equity holders of the company	539 093	(154 122)	46 477	431 448
Profit on disposal of property, plant and equipment	(151)	42	—	(109)
Profit on disposal of subsidiaries	(6 759)	—	—	(6 759)
Gain on remeasuring existing interest in Blue Label Mexico due to loss of control	(143 365)	—	—	(143 365)
Impairment of property, plant and equipment on classification to held-for-sale	15 523	—	(9 823)	5 700
Impairment of intangible asset	17 867	(5 003)	(1 067)	11 797
Impairment of intangible asset on classification to held-for-sale	9 465	—	(5 990)	3 475
Impairment of goodwill	14 689	—	—	14 689
Impairment of goodwill on classification to held-for-sale	13 296	—	—	13 296
Impairment of available-for-sale financial asset	20 911	—	(5 855)	15 056
Foreign currency translation reserve recycled to profit or loss	4 219	—	—	4 219
Headline earnings				349 447
Weighted average number of ordinary shares in issue (thousands)				756 359
Headline earnings per share (cents per share)				46.20

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24. EARNINGS PER SHARE (continued)

b) Headline (continued)

	2010			
	Profit before tax and non-controlling interest R'000	Tax R'000	Non-controlling interest R'000	Headline earnings R'000
Profit attributable to equity holders of the company	591 937	(166 756)	(60 159)	365 022
Profit on disposal of property, plant and equipment	(583)	163	—	(420)
Profit on disposal of subsidiaries	(29 554)	3 768	7 220	(18 566)
Impairment of property, plant and equipment	1 027	(288)	—	739
Impairment of intangible asset	8 556	(2 395)	—	6 161
Impairment of goodwill	13 829	—	—	13 829
Foreign currency translation reserve reclassified to profit or loss	(1 328)	—	372	(956)
Headline earnings				365 809
Weighted average number of ordinary shares in issue (thousands)				757 793
Headline earnings per share (cents per share)				48.27

24. EARNINGS PER SHARE (continued)

c) Diluted – basic and headline

Diluted earnings per share are calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The only dilutive potential ordinary shares of the company are the forfeitable shares granted. For this calculation an adjustment is made for the number of shares that would be issued on vesting under the forfeitable share plan.

There are no potential dilutive instruments relating to the discontinued operations.

	2011	2010
Basic earnings (R'000)	431 448	365 022
Issued number of ordinary shares (thousands)	756 359	756 659
Adjusted for forfeitable shares (thousands)	7 383	4 500
Weighted average number of ordinary shares for dilutive earnings (thousands)	763 742	761 159
Dilutive basic earnings per share (cents per share)	56.49	47.96
Headline earnings (R'000)	349 447	365 809
Weighted average number of ordinary shares for dilutive headline earnings (thousands)	763 742	761 159
Dilutive headline earnings per share (cents)	45.75	48.06

d) Core

Core earnings per share is calculated after adding back the amortisation of intangible assets as a consequence of the purchase price allocations completed in terms of IFRS 3: *Business Combinations.*

Reconciliation between net profit for the period and core net profit for the period:

	2011	2010
Net profit for the period (R'000)	431 448	365 022
Amortisation on intangibles raised through business combinations net of tax and non-controlling interest (R'000)	24 975	31 623
Core net profit for the period (R'000)	456 423	396 645
Weighted average number of ordinary shares in issue (thousands)	756 359	757 793
Core earnings per share (cents per share)	60.34	52.34

25. CASH GENERATED BY OPERATIONS

	2011 R'000	2010 R'000
Reconciliation of operating profit to cash generated by operating activities:		
Operating profit including discontinued operations	517 060	569 459
Adjustments for:		
Depreciation of property, plant and equipment	47 271	35 711
Amortisation of intangible assets	60 298	58 958
Impairment of property, plant and equipment	15 523	1 027
Impairment of intangible assets	27 332	8 556
Impairment of goodwill	27 985	13 829
Loss on derecognition of financial asset	—	645
Discounting of receivables recognised in revenue	96 410	77 644
Discounting of payables recognised in changes in inventories of finished goods	(114 044)	(119 183)
Impairment of loan	447	1 704
Impairment of available-for-sale financial asset	20 911	—
Profit on disposal of property, plant and equipment	(151)	(583)
Net profit on disposal of subsidiaries	(6 759)	(29 554)
Gain on remeasuring existing interest in Blue Label Mexico due to loss of control	(143 365)	—
Equity compensation benefit scheme expense	11 132	(117)
Share-based payment	—	295
Net unrealised forex loss	4 838	4 435
Changes in working capital (excluding the effects of acquisitions and disposals):		
Increase in inventories	(467 986)	(187 015)
Decrease/(increase) in trade and other receivables	20 008	(180 112)
Increase in trade and other payables	383 868	354 427
Decrease/(increase) in loans receivable	8 119	(10 182)
Decrease in starter pack assets	57 156	23 048
	566 053	622 992

	2011 R'000	2010 R'000
26. TAXATION PAID		
Balance outstanding at the beginning of the year	17 035	25 938
Translation differences	—	(285)
Taxation charge	171 435	183 773
Disposal of subsidiaries	340	(6 310)
Net payable outstanding at the end of the year	(7 996)	(17 035)
	180 814	186 081

27. DISPOSAL OF SUBSIDIARIES

31 May 2011

	Blue Label Mexico S.A de C.V* R'000	POS Control Services (Proprietary) Limited R'000	Blue Label Australasia (Proprietary) Limited R'000	Total R'000
Date disposed	23 February 2011	1 June 2010	29 December 2010	
% disposed	70	52	50.5	
The carrying/fair value of the net assets disposed of:				
Cash and cash equivalents	1 658	—	—	1 658
Property, plant and equipment	9 542	1 023	—	10 565
Intangible assets	550	—	—	550
Inventories	389	63	—	452
Receivables	16 950	319	4	17 273
Bank overdraft	—	(384)	—	(384)
Borrowings	(35 812)	(517)	—	(36 329)
Current tax assets	340	—	—	340
Payables	(11 696)	(669)	—	(12 365)
Carrying/fair value of subsidiaries disposed of	(18 079)	(165)	4	(18 240)
Non-controlling interests	5 589	33	(2)	5 620
Transaction with non-controlling interest reserve	5 861	—	—	5 861
Carrying/fair value of net assets disposed of	(6 629)	(132)	2	(6 759)
Profit on disposal of subsidiary	6 629	132	(2)	6 759
Gain on remeasuring retained interest in Blue Label Mexico due to loss of control	143 365	—	—	143 365
Foreign currency translation reserve recycled	(4 234)	—	15	(4 219)
Total gain on transaction	145 760	132	13	145 905
Total proceeds on disposal	—	—	—	—
Less: Cash and cash equivalents in subsidiary	(1 658)	384	—	(1 274)
Cash outflow on disposal	(1 658)	384	—	(1 274)

* *On 23 February 2011, Blue Label Mexico S.A de C.V. ('BLM') had a fresh issue of shares to Bimbo to the value of US$20 million. BLT therefore diluted its shareholding by 30 per cent in BLM, resulting in a profit on disposal for the group of R145.8 million. This profit on disposal has been recognised in the net profit for the year from discontinued operations in the group statement of comprehensive income. Consequently, BLM became a joint venture.*

The results of BLM have been consolidated into the group results until 23 February 2011 and are included in net profit for the year from discontinued operations, with a corresponding adjustment shown for the non-controlling interests' share of these results. Following the sale on 23 February 2011, BLM is treated as a joint venture and equity accounted in the group financial statements.

At 31 May 2011, the assets and liabilities of BLM have not been consolidated in the group statement of financial position but instead an investment in joint venture of R143 million representing the group's 40 per cent share of BLM's net assets at that date (note 6) has been included. The group has accounted for its equity share of the results of BLM for the period from 23 February 2011 to 31 May 2011.

27. DISPOSAL OF SUBSIDIARIES (continued)

31 May 2010

	Blue Label USA, LLC R'000	Africa Prepaid Services – RDC SPRL* R'000	Africa Prepaid Services (Mozambique) Limitada R'000	Total R'000
Date disposed	31 July 2009	30 September 2009	30 November 2009	
% disposed	50.01	80	90	
The fair value of the net assets disposed of:				
Cash and cash equivalents	43 880	331	2 329	46 540
Property, plant and equipment	6	1 130	2 126	3 262
Intangible assets	13 629	13 124	—	26 753
Inventories	620	699	3 014	4 333
Starter pack assets	—	2 018	1 738	3 756
Receivables	56 478	16 708	11 924	85 110
Loan receivable	456	—	—	456
Deferred tax	—	(3 931)	49	(3 882)
Borrowings	(21 624)	(492)	(1 151)	(23 267)
Current tax liabilities	—	(5 815)	(495)	(6 310)
Payables	(65 806)	(24 427)	(22 376)	(112 609)
Fair value of subsidiaries disposed of	27 639	(655)	(2 842)	24 142
Non-controlling interests	11 759	172	—	11 931
Goodwill	—	1 127	—	1 127
Transaction with non-controlling interest	130	—	—	130
Fair value of net assets disposed of	39 528	644	(2 842)	37 330
(Loss)/Profit on disposal of subsidiary	(215)	—	29 769	29 554
Transfer to available-for-sale investments	—	(644)	—	(644)
Total proceeds on disposal	39 313	—	26 927	66 240
To be settled**	—	—	(21 944)	(21 944)
Received in cash	39 313	—	4 983	44 296
Less: Cash and cash equivalents in subsidiary	(43 880)	(331)	(2 329)	(46 540)
Cash outflow on disposal	(4 567)	(331)	2 654	(2 244)

* *Africa Prepaid Services – RDC SPRL was transferred to available-for-sale investments on 30 September 2009 due to Africa Prepaid Services, a subsidiary of Blue Label Telecoms no longer exercising control over the entity's board. This asset was subsequently disposed of as at the end of December 2009.*

** *At exchange rates prevailing on the effective date of the disposal. In the current year this amount was settled by the transfer of a 20% shareholding in Emotel. Refer to note 7.*

	2011 R'000	2010 R'000
28. COMMITMENTS		
Future operating lease commitments:		
The group leases various offices under non-cancellable operating lease agreements. The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rates.		
The group also leases various plant and machinery under cancellable operating lease agreements. The group is required to give a six-months' notice for the termination of the majority of these agreements. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in note 21.		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Premises		
Payable within one year	25 007	26 878
Payable in two to five years	71 890	67 903
Payable in greater than five years	23 064	60 939
Equipment		
Payable within one year	3 952	10 986
Payable in two to five years	5 075	15 455
Payable in greater than five years	—	15
	128 988	182 176

	2011 R'000	2010 R'000
29. RELATED PARTY TRANSACTIONS		
For details of subsidiaries, associates and joint ventures refer to note 33.		
For details of the company's directors, refer to the directors' report.		
ZOK Cellular (Proprietary) Limited, BSC Technologies (Proprietary) Limited,		
Black Ginger 59 (Proprietary) Limited, Moneyline 311 (Proprietary) Limited,		
PLL Investments (Proprietary) Limited, Friedshelf 669 (Proprietary) Limited,		
WBS Holdings (Proprietary) Limited, iBurst (Proprietary) Limited and Ellerine Bros. (Proprietary) Limited are related parties due to the companies having certain common directorships.		
For details of the shareholdings in the company, refer to the directors' report.		
The following transactions were carried out with related parties		
Directors' emoluments (refer to note 30)		
Sales to related parties		
BSC Technologies (Proprietary) Limited	398	—
Bela Phone Company (Proprietary) Limited	217	—
Blue Label Mexico S.A. de C.V.	1 414	—
Datacision (Proprietary) Limited	269	—
Dual Data (Proprietary) Limited	—	1 039
iBurst (Proprietary) Limited	26 298	—
Smart Voucher Limited	990	821
WBS Holdings (Proprietary) Limited	5 167	3 838
ZOK Cellular (Proprietary) Limited	10 679	4 769
Purchases from related parties		
Bela Phone Company (Proprietary) Limited	2 046	854
Black Ginger 59 (Proprietary) Limited	4 585	782
BSC Technologies (Proprietary) Limited	197	744
Datacision (Proprietary) Limited	2 259	—
Demtrade 11 (Proprietary) Limited	7 857	5 351
Dual Data (Proprietary) Limited	27	3 879
iBurst (Proprietary) Limited	15 779	—

		2011 R'000	2010 R'000
29.	**RELATED PARTY TRANSACTIONS (continued)**		
	Purchases from related parties (continued)		
	Moneyline 311 (Proprietary) Limited	—	3 302
	Smart Voucher Limited	30 056	12 635
	WBS Holdings (Proprietary) Limited	36	—
	ZOK Cellular (Proprietary) Limited	69 547	73 009
	Cost recoveries from related parties		
	Bela Phone Company (Proprietary) Limited	4	—
	BSC Technologies (Proprietary) Limited	—	7
	Datacision (Proprietary) Limited	8	—
	Demtrade 11 (Proprietary) Limited	—	112
	Smart Voucher Limited	139	—
	ZOK Cellular (Proprietary) Limited	19	15
	Interest paid to related parties		
	Demtrade 11 (Proprietary) Limited	43	246
	Smart Voucher Limited	143	—
	Interest received from related parties		
	Demtrade 11 (Proprietary) Limited	159	425

	2011 R'000	2010 R'000
29. RELATED PARTY TRANSACTIONS (continued)		
Management fees received from related parties		
Bela Phone Company (Proprietary) Limited	160	—
Blue Label Mexico S.A. de C.V.	102	—
Datacision (Proprietary) Limited	308	105
Demtrade 11 (Proprietary) Limited	270	189
Dual Data (Proprietary) Limited	—	798
Smart Voucher Limited	564	2 293
ZOK Cellular (Proprietary) Limited	—	3 208
Management fees paid to related parties		
Demtrade 11 (Proprietary) Limited	1 364	1 350
Rent paid to related parties		
Ellerine Bros. (Proprietary) Limited	4 611	2 520
Friedshelf 669 (Proprietary) Limited	216	216
Moneyline 311 (Proprietary) Limited	4 611	2 520
PLL Investments (Proprietary) Limited	—	2 453

	2011 R'000	2010 R'000
29. RELATED PARTY TRANSACTIONS (continued)		
Rent received from related parties		
Bela Phone Company (Proprietary) Limited	—	17
Demtrade 11 (Proprietary) Limited	—	10
Smart Voucher Limited	—	25
ZOK Cellular (Proprietary) Limited	—	16
Dividends received from related parties		
Demtrade 11 (Proprietary) Limited	416	—
Datacision (Proprietary) Limited	1 000	—
Loans to related parties		
Bela Phone Company (Proprietary) Limited	1 800	—
Demtrade 11 (Proprietary) Limited	1 162	4 402
Oxigen Services (India) Pvt Limited	18 643	18 643
ZOK Cellular (Proprietary) Limited	29 928	38 047
Loans from related parties		
Bela Phone Company (Proprietary) Limited	40	—
Blue Label Mexico S.A. de C.V.	257	—
Demtrade 11 (Proprietary) Limited	66	2 855

	2011 R'000	2010 R'000
29. RELATED PARTY TRANSACTIONS (continued)		
Amounts due from related parties (included in trade receivables)		
Bela Phone Company (Proprietary) Limited	188	19
Black Ginger 59 (Proprietary) Limited	3 640	—
Blue Label Mexico S.A. de C.V.	2 062	—
BSC Technologies (Proprietary) Limited	230	—
Demtrade 11 (Proprietary) Limited	—	98
Dual Data (Proprietary) Limited	—	90
iBurst (Proprietary) Limited	7 792	—
Moneyline 311 (Proprietary) Limited	472	951
Smart Voucher Limited	2 337	1 637
WBS Holdings (Proprietary) Limited	571	1 846
ZOK Cellular (Proprietary) Limited	7	21
	17 299	4 662

	2011 R'000	2010 R'000
29. RELATED PARTY TRANSACTIONS (continued)		
Amounts due to related parties (included in trade payables)		
Bela Phone Company (Proprietary) Limited	2 167	1 500
Black Ginger 59 (Proprietary) Limited	896	—
BSC Technologies (Proprietary) Limited	375	—
Datacision (Proprietary) Limited	3	—
Demtrade 11 (Proprietary) Limited	378	1 032
Dual Data (Proprietary) Limited	—	83
Moneyline 311 (Proprietary) Limited	—	1 431
NN Lazarus SC	447	—
Smart Voucher Limited	1 829	9 962
ZOK Cellular (Proprietary) Limited	—	1
Unihold (Proprietary) Limited	124	—
	6 219	14 009
Leasehold improvements recovered by related party		
Ellerine Bros. (Proprietary) Limited	—	11 500

Basis of transactions

All transactions with related parties are conducted on the same terms as other transactions of a similar nature.

	Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000	Subtotal R'000
30. DIRECTORS' EMOLUMENTS					
For the year ended 31 May 2011					
Executive directors					
Levy, BM	—	5 958	—	91	6 049
Levy, MS	—	5 965	—	84	6 049
Pamensky, MV	—	5 065	—	35	5 100
Rivkind, DB	—	2 602	—	35	2 637
	—	19 590	—	245	19 835
Non-executive directors					
Nestadt, LM	750	—	—	—	750
Ellerine, K	160	—	—	—	160
Harlow, GD	441	—	—	—	441
Lazarus, NN	397	—	—	—	397
Mthimunye, J	362	—	—	—	362
Nyati, M	34	—	—	—	34
Tyalimpi, LM	286	—	—	—	286
	2 430	—	—	—	2 430
	2 430	19 590	—	245	22 265

Services as directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Limited R'000	Total R'000	Fair value of forfeitable shares R'000
—	—	—	—	—	6 049	4 365
—	—	—	—	—	6 049	4 365
—	—	—	—	—	5 100	3 465
—	—	—	—	—	2 637	1 903
—	—	—	—	—	19 835	14 098
—	—	—	—	—	750	—
—	—	—	—	—	160	—
50	—	—	—	1 302	1 793	—
—	—	—	—	4 576	4 973	—
—	—	—	—	—	362	—
—	—	—	—	—	34	—
—	—	—	—	—	286	—
50	—	—	—	5 878	8 358	—
50	—	—	—	5 878	28 193	14 098

	Services as directors of Blue Label Telecoms Limited R'000	Salary and allowances R'000	Bonuses and performance-related payments R'000	Other benefits R'000	Subtotal R'000
30. DIRECTORS' EMOLUMENTS (continued)					
For the year ended 31 May 2010					
Executive directors					
Levy, BM	—	5 650	—	84	5 734
Levy, MS	—	5 657	—	77	5 734
Pamensky, MV	—	4 149	—	33	4 182
Rivkind, DB	—	2 467	1 000	33	3 500
	—	17 923	1 000	227	19 150
Non-executive directors					
Nestadt, LM	700	—	—	—	700
Ellerine, S	92	—	—	—	92
Ellerine, K	65	—	—	—	65
Harlow, GD	442	—	—	—	442
Huntley, RJ	127	—	—	—	127
Lazarus, NN	333	—	—	—	333
Mansour, P	—	—	—	—	—
Mthimunye, J	265	—	—	—	265
Theledi, HC	64	—	—	—	64
Tyalimpi, LM	179	—	—	—	179
	2 267	—	—	—	2 267
	2 267	17 923	1 000	227	21 417

The fair value of forfeitable shares per director has been included.

The comparatives have been updated accordingly.

No director has a notice period of more than one year.

No director's service contract includes predetermined compensation as a result of termination that would exceed one year's salary and benefits.

Services as directors of subsidiaries of Blue Label Telecoms Limited R'000	Salary and allowances from subsidiaries R'000	Bonuses and performance-related payments from subsidiaries R'000	Retirement and related benefits from subsidiaries R'000	Corporate finance and legal fees for services rendered to Blue Label Telecoms Limited R'000	Total R'000	Fair value of forfeitable shares R'000
—	—	—	—	—	5 734	1 829
—	—	—	—	—	5 734	1 829
—	—	—	—	—	4 182	1 333
—	—	—	—	—	3 500	797
—	—	—	—	—	19 150	5 788
—	—	—	—	—	700	—
—	—	—	—	—	92	—
—	—	—	—	—	65	—
60	—	—	—	326	828	—
—	—	—	—	—	127	—
—	—	—	—	2 649	2 982	—
—	—	—	—	—	—	—
—	—	—	—	—	265	—
—	—	—	—	—	64	—
—	—	—	—	—	179	—
60	—	—	—	2 975	5 302	—
60	—	—	—	2 975	24 452	5 788

31. SEGMENTAL SUMMARY

The group's segment reporting follows the organisational structure as reflected in its internal management reporting systems, which are the basis for assessing the financial performance of the business segments and for allocating resources to these segments. Management's assessment of the group's organisational structure takes the geographical location of the segments into account. All reporting segments located outside of South Africa are included in the International distribution segment. Operations included in all other segments are located within South Africa.

Operating segments are reported internally to the chief operating decision-maker in a manner consistent with the financial statements. In addition, the chief operating decision-maker uses core net profit as a non-IFRS measure in evaluating the group's performance on a segmental level. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors, who are responsible for making strategic decisions on behalf of the Blue Label Telecoms group.

Transactions between reportable segments are conducted on the same terms as other transactions of a similar nature.

In order to enhance the availability of management information on the group's performance from the distribution of mobile applications, Blue Label has established a new segment, namely Mobile. These Mobile entities were previously housed in the Value Added Services and Technology segments. A separate management and reporting structure has been established for Mobile, and the segmental analysis has been amended and restated accordingly.

The Value Added Services segment has been renamed Solutions. The only change to the reporting of this segment is the extraction of financial information that relates to the newly formed Mobile segment. The comparatives have been adjusted to reflect the change in segment reporting.

31. SEGMENTAL SUMMARY (continued)

At 31 May 2011, the group is managed on the basis of six main business segments:

- South African distribution, which includes the distribution of physical and virtual prepaid airtime and electricity of the South African mobile/fixed-line network operators and utility suppliers, and the distribution of starter packs in South Africa.
- International distribution, which includes international distribution of physical and virtual prepaid airtime in India and Africa, and the distribution of starter packs in Africa.
- Technology, which includes technological innovation, development and support for the operations of the group.
- Mobile, which includes the provision of a complete mobile transactional ecosystem and services-provisioning platform delivering mobile-centric products and services through any mobile channel, including location-based and WASP services and music and digital content provision.
- Solutions, which includes marketing of cellular and financial products and services through outbound telemarketing and other channels, provides inbound customer care and technical support, and markets data and analytics services.
- Corporate, which performs the head office administration function.

31. SEGMENTAL SUMMARY (continued)

The segmental information in respect of the group's discontinued operations has been excluded from the segmental summary below. The discontinued operations were contained in the International segment.

	Total		South African distribution	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
The segment results for the year ended 31 May are as follows:				
Total segment revenue	**30 224 202**	27 182 511	**29 954 525**	26 661 350
Inter-segment revenue	**(12 159 630)**	(11 242 747)	**(12 132 920)**	(11 118 013)
Revenue	**18 064 572**	15 939 764	**17 821 605**	15 543 337
Segment result				
Operating profit before depreciation, amortisation and impairment charges	**597 732**	569 657	**711 767**	685 686
Depreciation and amortisation	**(91 556)**	(89 997)	**(36 292)**	(35 422)
Goodwill impairment	**(14 689)**	(13 829)	**–**	–
Impairment of property, plant and equipment	**(516)**	(1 027)	**–**	–
Impairment of intangible assets	**(17 866)**	(8 556)	**–**	(955)
Impairment of loans	**(447)**	(1 704)	**–**	(21)
Impairment of available-for-sale investment	**(20 911)**	–	**–**	–
Finance costs	**(115 845)**	(107 127)	**(113 449)**	(97 721)
Finance income	**146 429**	161 018	**145 893**	158 739
Share of (losses)/profits from associates	**(2 757)**	(14 982)	**(1 041)**	(391)
Taxation	**(152 176)**	(165 536)	**(144 830)**	(163 874)
Net profit for the year	**327 398**	327 917	**562 048**	546 041
Reconciliation of net profit for the year to core net profit for the year				
Net profit for the year	**327 398**	327 917	**562 048**	546 041
Amortisation of intangibles raised through business combinations net of tax	**25 498**	32 949	**8 933**	8 608
Core net profit for the year	**352 896**	360 866	**570 981**	554 649
Core net profit for the year attributable to:				
Equity holders of parent	**362 522**	360 193	**571 471**	555 161
Non-controlling interest	**(9 626)**	673	**(490)**	(512)

The company is domiciled in the Republic of South Africa. The result of its revenue from external customers in South Africa is R18.035 billion (2010: R15.780 billion), and the total of revenue from external customers from other countries is R29.3 million (2010: R160 million).

International distribution		Technology		Mobile		Solutions		Corporate	
2011 R'000	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
30 252	159 530	**22 902**	121 439	**94 121**	105 196	**122 402**	134 996	**—**	—
(998)	270	**(6 082)**	(103 110)	**(15 505)**	(10 183)	**(4 125)**	(11 711)	**—**	—
29 254	159 800	**16 820**	18 329	**78 616**	95 013	**118 277**	123 285	**—**	—
(8 683)	17 448	**(61 766)**	(58 382)	**19 347**	11 637	**18 731**	(4 255)	**(81 664)**	(82 477)
(1 091)	(6 426)	**(16 632)**	(10 567)	**(22 397)**	(22 017)	**(7 800)**	(13 915)	**(7 344)**	(1 650)
(5 380)	(1 660)	**—**	—	**(9 309)**	—	**—**	(12 127)	**—**	(42)
—	—	**(516)**	—	**—**	—	**—**	(1 027)	**—**	—
(2 970)	—	**(5 057)**	(5 871)	**(9 839)**	(705)	**—**	(1 025)	**—**	—
—	(1 001)	**—**	—	**—**	—	**—**	(377)	**(447)**	(305)
(20 911)	—	**—**	—	**—**	—	**—**	—	**—**	—
(2 165)	(8 758)	**(78)**	(453)	**(17)**	(54)	**(1)**	(90)	**(135)**	(51)
73	1 426	**87**	147	**113**	119	**184**	310	**79**	277
(2 884)	(15 177)	**—**	—	**—**	—	**1 168**	586	**—**	—
368	(4 527)	**(1 982)**	1 391	**9 475**	(3 406)	**(6 401)**	4 413	**(8 806)**	467
(43 643)	(18 675)	**(85 944)**	(73 735)	**(12 627)**	(14 426)	**5 881**	(27 507)	**(98 317)**	(83 781)
(43 643)	(18 675)	**(85 944)**	(73 735)	**(12 627)**	(14 426)	**5 881**	(27 507)	**(98 317)**	(83 781)
2 034	4 707	**632**	994	**11 871**	11 932	**2 028**	6 708	**—**	—
(41 609)	(13 968)	**(85 312)**	(72 741)	**(756)**	(2 494)	**7 909**	(20 799)	**(98 317)**	(83 781)
(32 005)	(16 355)	**(84 932)**	(70 774)	**(756)**	(2 494)	**7 061**	(21 564)	**(98 317)**	(83 781)
(9 604)	2 387	**(380)**	(1 967)	**—**	—	**848**	765	**—**	—

BLUE LABEL TELECOMS

31. SEGMENTAL SUMMARY (continued)

	Total		South African distribution	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Non-cash items				
Net profit on sale of subsidiaries	**130**	29 554	**130**	—
Discounting of receivables	**96 410**	77 644	**96 410**	76 504
Discounting of payables	**(107 751)**	(119 183)	**(107 751)**	(95 386)
The segment assets and liabilities at 31 May are as follows:				
Assets excluding investments in associates and joint ventures	**4 828 610**	4 351 414	**4 361 707**	3 612 810
Investment in associates and joint ventures	**239 997**	96 888	**409**	160
Total assets	**5 068 607**	4 448 302	**4 362 116**	3 612 970
Additions to non-current assets				
Property, plant and equipment	**46 874**	104 373	**23 805**	50 701
Intangible assets	**101 510**	91 444	**88 987**	68 945
Investment in associates	**—**	*	**—**	—
Investment in joint ventures	**143 365**	*	**—**	*
Total liabilities	**(2 119 853)**	(1 792 866)	**(2 018 747)**	(1 513 523)

** Less than R1 000.*

The total of non-current assets other than financial instruments and deferred tax assets located in South Africa is R596.4 million (2010: R574.6 million), and the total of these non-current assets located in other countries is R237.3 million (2010: R132.8 million).

International distribution		Technology		Mobile		Solutions		Corporate	
2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
—	29 554	—	—	—	—	—	—	—	—
—	1 140	—	—	—	—	—	—	—	—
—	(23 797)	—	—	—	—	—	—	—	—
152 350	426 635	89 876	67 930	80 899	104 223	132 610	133 466	11 168	6 350
234 211	90 765	—	—	—	—	5 793	5 963	(416)	—
386 561	517 400	89 876	67 930	80 899	104 223	138 403	139 429	10 752	6 350
4 084	15 996	344	6 318	492	573	3 122	4 447	15 027	26 338
410	887	6 586	12 711	3 625	6 723	1 095	2 132	807	46
—	—	—	—	—	—	—	*	—	—
143 365	—	—	—	—	—	—	—	—	—
(36 746)	(188 310)	(22 035)	(27 719)	(13 452)	(22 696)	(14 040)	(20 598)	(14 833)	(20 020)

32. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 6 829 416 (2010: 4 567 247) forfeitable shares were granted to executive directors and qualifying employees ("participant"). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of an employer company before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the board. In the event that the participant is not in the employ of the group, or the performance conditions are not met, then the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the participating employer, or may be retained by the group for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 12 cents per ordinary share was declared on 23 August 2010.

The release of forfeitable shares will be subject to the achievement of a specified performance condition. The performance condition for the first award grant of forfeitable shares was:

- 30% of shares will vest when the group core HEPS at the end of the performance period, being May 2010, exceeds the core HEPS per ordinary share as at the beginning of the performance period, being May 2008, by the percentage change in the CPI index over the performance period, plus 20% (threshold performance criteria)
- 100% of shares will vest when the core HEPS at the end of the performance period, being May 2010, exceeds the core HEPS per ordinary shares at the beginning of the performance period, being May 2008, by the percentage change in the CPI index over the performance period, plus 30% (target performance criteria)
- Performance below the threshold performance criteria will result in the forfeitable award not vesting, unless otherwise determined by the board
- Linear vesting of the forfeitable award will occur between threshold performance and target performance stated above.

The performance conditions for the first scheme were not met and therefore all shares were forfeited in the prior year.

The performance conditions for the second award grant of forfeitable shares vesting on 1 September 2012 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the group at the vesting date (1 September 2012);
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators;
- 50% of shares constituting the allocation will vest if the group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period (1 June 2009), by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The performance condition for the third award grant of forfeitable shares vesting on 1 September 2013 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the group at the vesting date (1 September 2013);
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators;
- 50% of shares constituting the allocation will vest if the group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period 1 June 2010, by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The performance condition for the retention award grant vesting in three equal tranches on 30 September 2010, 30 April 2011 and 30 April 2012 are as follows:

- 100% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the group at the vesting dates.

32. EQUITY COMPENSATION BENEFIT (continued)

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 1 June 2009			5 151 814	25 759
Granted during the year			4 567 247	26 654
Second award	1 September 2009	1 September 2012	3 481 407	20 302
Second award	27 November 2009	1 September 2012	1 085 840	6 352
Shares forfeited during the year			(5 644 309)	(28 640)
First award			(5 151 814)	(25 759)
Second award			(492 495)	(2 881)
Shares vested during the year			—	—
At 31 May 2010			**4 074 752**	**23 773**
Second award			**4 074 752**	**23 773**
Granted during the year			**6 829 416**	**32 487**
Third award	**1 September 2010**	**1 September 2013**	**5 532 193**	**26 001**
Retention award	**1 September 2010**	**30 September 2010**	**466 864**	**2 334**
Retention award	**1 September 2010**	**30 April 2011**	**442 959**	**2 215**
Retention award	**1 September 2010**	**30 April 2012**	**387 400**	**1 937**
Shares forfeited during the year			**(1 316 366)**	**(6 801)**
Second award			**(534 193)**	**(3 125)**
Third award			**(782 173)**	**(3 676)**
Shares vested during the year			**(909 823)**	**(4 549)**
Retention award		**30 September 2010**	**(466 864)**	**(2 334)**
Retention award		**30 April 2011**	**(442 959)**	**(2 215)**
At 31 May 2011			**8 677 979**	**44 910**
Second award			**3 540 559**	**20 648**
Third award			**4 750 020**	**22 325**
Retention award			**387 400**	**1 937**

Refer to note 20 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 477 168 (2010: 1 085 840).

The share-based payment in relation to these executive directors is R2 million (2010: R1.6 million).

Refer to the Remuneration Report on page 52 for details per director.

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES			
2011			
Subsidiaries			
Directly held:			
Subsidiaries of Blue Label Telecoms Limited			
Activi Technology Services (Proprietary) Limited	RSA	300	100
Africa Prepaid Services (Proprietary) Limited	RSA	150	72
Blue Label One (Proprietary) Limited	RSA	300	100
Blue Label Investments (Proprietary) Limited	RSA	1 200 000	100
Blue Label Telecoms USA Incorporated	USA	100	100
Budding Trade 1170 (Proprietary) Limited	RSA	100	100
Celebia Holdings Limited	Cyprus	100	100
Cellfind (Proprietary) Limited	RSA	1 000	100
Content Connect Africa (Proprietary) Limited	RSA	100	100
Datacel Direct (Proprietary) Limited	RSA	100	100
Kwikpay SA (Proprietary) Limited	RSA	100	100
Matragon (Proprietary) Limited	RSA	100	100
Matrix Investments No 4 (Proprietary) Limited	RSA	100	100
SharedPhone International (Proprietary) Limited	RSA	500 000	50.1
The Prepaid Company (Proprietary) Limited	RSA	10 000	100
The Post Paid Company (Proprietary) Limited	RSA	200	75
Uninex (Proprietary) Limited	RSA	100	100
Ventury Group (Proprietary) Limited	RSA	2 000	100
Virtual Voucher (Proprietary) Limited	RSA	200	100

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2011 (continued)			
Subsidiaries (continued)			
Indirectly held:			
Subsidiary of Blue Label Investments (Proprietary) Limited			
Gold Label Investments (Proprietary) Limited	RSA	1 000	100
Subsidiary of The Prepaid Company (Proprietary) Limited			
Little River Trading 181 (Proprietary) Limited (trading as Crown Cellular)	RSA	100	100
Subsidiary of Ventury Group (Proprietary) Limited			
Cigicell (Proprietary) Limited	RSA	100	100
Subsidiaries of Matragon (Proprietary) Limited			
Airtime Xpress (Proprietary) Limited	RSA	200	100
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	RSA	100	100
Subsidiaries of Activi Technology Services (Proprietary) Limited			
Activi Deployment Services (Proprietary) Limited	RSA	100	100
Transaction Junction (Proprietary) Limited	RSA	120	60
Subsidiary of Africa Prepaid Services (Proprietary) Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct (Proprietary) Limited			
Blue Label Call Centre (Proprietary) Limited	RSA	300	100
CNS Call Centre (Proprietary) Limited	RSA	1 000	100
Velociti (Proprietary) Limited	RSA	1 000	100
Blue Label Data Solutions (Proprietary) Limited	RSA	100	81
Subsidiary of 2DFine Holdings Mauritius			
2DFine Investments Mauritius	Mauritius	1	100

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2011 (continued)			
Associates			
Indirectly held:			
Associates of Gold Label Investments (Proprietary) Limited			
Oxigen Services India (Private) Limited	India	14 244 294	37.22
Smart Voucher Limited (trading as Ukash)	United Kingdom	46 353 933	15.75*
Associates of Datacel Direct (Proprietary) Limited			
Dual Data (Proprietary) Limited	RSA	100	50*
BLK Risk Services (Proprietary) Limited	RSA	100	25
Associate of Demtrade 11 (Proprietary) Limited			
Phutuma Procurement (Proprietary) Limited	RSA	200	39
Joint ventures			
Joint ventures of Blue Label Telecoms Limited			
Blue Label Mexico S.A. de C.V.	Mexico	2 200	40**
Demtrade 11 (Proprietary) Limited	RSA	160	46.25
Joint venture of The Prepaid Company (Proprietary) Limited			
Bela Phone Company (Proprietary) Limited	RSA	100	51
Joint venture of Datacel Direct (Proprietary) Limited			
Datacision (Proprietary) Limited	RSA	100	50
Joint venture of Gold Label Investments (Proprietary) Limited			
2DFine Holdings Mauritius	Mauritius	2	50

* *Significant influence is demonstrated by the company as a result of representation on the board of directors.*
** *Joint control is demonstrated by the composition of and decision making powers afforded to the board of directors.*

33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)

2010

Subsidiaries

Directly held:

	Country	Number of issued ordinary shares	Percentage held
Subsidiaries of Blue Label Telecoms Limited			
Activi Technology Services (Proprietary) Limited	RSA	300	100
Africa Prepaid Services (Proprietary) Limited	RSA	150	72
Blue Label Australasia (Proprietary) Limited	Australia	201	50.5
Blue Label One (Proprietary) Limited	RSA	300	100
Blue Label Investments (Proprietary) Limited	RSA	1 200 000	100
Blue Label Mexico S.A. de C.V.	Mexico	1 100	70
Blue Label Telecoms USA Incorporated	USA	100	100
Budding Trade 1170 (Proprietary) Limited	RSA	100	100
Celebia Holdings Limited	Cyprus	100	100
Cellfind (Proprietary) Limited	RSA	1 000	100
Content Connect Africa (Proprietary) Limited	RSA	100	100
Datacel Direct (Proprietary) Limited	RSA	100	100
House of Business Solutions (Proprietary) Limited	RSA	1 000	100
Kwikpay SA (Proprietary) Limited	RSA	100	100
Matragon (Proprietary) Limited	RSA	100	100
Matrix Investments No 4 (Proprietary) Limited	RSA	100	100
SharedPhone International (Proprietary) Limited	RSA	500 000	50.1
The Prepaid Company (Proprietary) Limited	RSA	10 000	100
The Postpaid Company (Proprietary) Limited	RSA	200	75
Uninex (Proprietary) Limited	RSA	100	100
Ventury Group (Proprietary) Limited	RSA	2 000	100
Virtual Voucher (Proprietary) Limited	RSA	200	100

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2010 (continued)			
Subsidiaries (continued)			
Indirectly held:			
Subsidiary of Blue Label Investments (Proprietary) Limited			
Gold Label Investments (Proprietary) Limited	RSA	1 000	100
Subsidiary of The Prepaid Company (Proprietary) Limited			
Little River Trading 181 (Proprietary) Limited (trading as Crown Cellular)	RSA	100	100
Subsidiary of Ventury Group (Proprietary) Limited			
Cigicell (Proprietary) Limited	RSA	100	100
Subsidiaries of Matragon (Proprietary) Limited			
Airtime Xpress (Proprietary) Limited	RSA	200	100
Comm Express Services SA (Proprietary) Limited	RSA	100	100
POS Control Services (Proprietary) Limited	RSA	100	52
Subsidiaries of Activi Technology Services (Proprietary) Limited			
Activi Deployment Services (Proprietary) Limited	RSA	100	100
Transaction Junction (Proprietary) Limited	RSA	120	60
Subsidiary of Africa Prepaid Services (Proprietary) Limited			
Africa Prepaid Services Nigeria Limited	Nigeria	10 000 000	51
Subsidiaries of Datacel Direct (Proprietary) Limited			
Blue Label Call Centre (Proprietary) Limited	RSA	300	100
CNS Call Centre (Proprietary) Limited	RSA	1 000	100
Velociti (Proprietary) Limited	RSA	1 000	100
Blue Label Data Solutions (Proprietary) Limited	RSA	100	81

	Country	Number of issued ordinary shares	Percentage held
33. INTEREST IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (continued)			
2010 (continued)			
Associate			
Indirectly held:			
Associate of Gold Label (Proprietary) Limited			
Oxigen Services India (Private) Limited	India	14 244 294	37.22
Smart Voucher Limited (trading as Ukash)	United Kingdom	46 353 933	15.79*
Associates of Datacel Direct (Proprietary) Limited			
Dual Data (Proprietary) Limited	RSA	100	50*
BLK Risk Services (Proprietary) Limited	RSA	100	25
Associate of Demtrade 11 (Proprietary) Limited			
Phutuma Procurement (Proprietary) Limited	RSA	200	39
Joint ventures			
Joint venture of Blue Label Telecoms Limited			
Demtrade 11 (Proprietary) Limited	RSA	160	50
Joint venture of The Prepaid Company (Proprietary) Limited			
Premet Cellular (Proprietary) Limited	RSA	100	40
Bela Phone Company (Proprietary) Limited	RSA	100	51
Joint venture of Datacel Direct (Proprietary) Limited			
Datacision (Proprietary) Limited	RSA	100	50

* *Significant influence is demonstrated by the company as a result of representation on the board of directors.*

Company statement of financial position

AS AT 31 MAY 2011

	Note	2011 R'000	2010 R'000
ASSETS			
Non-current assets		**3 050 150**	3 292 224
Property, plant and equipment	3	**36 254**	28 447
Intangible assets	4	**618**	537
Investment in subsidiaries	6.1	**2 985 893**	3 260 065
Investment in associate and joint venture	6.2	**27 385**	3 175
Current assets		**835 855**	962 089
Loans receivable	7	**10 615**	6 695
Loans to subsidiaries	6.1	**820 017**	949 063
Trade and other receivables	8	**3 412**	4 944
Current tax assets		**—**	654
Cash and cash equivalents	9	**1 811**	733
Total assets		**3 886 005**	4 254 313
EQUITY AND LIABILITIES			
Capital and reserves		**3 817 109**	4 185 358
Share capital	10	*****	*
Share premium		**4 404 737**	4 404 737
Treasury shares		**(29 682)**	(37 491)
		4 375 055	4 367 246
Equity compensation benefit reserve		**4 999**	2 250
Share-based payment reserve		**295**	295
Accumulated loss		**(563 240)**	(184 433)
Non-current liabilities		**2 427**	1 723
Deferred taxation liability	5	**2 427**	1 723
Current liabilities		**66 469**	67 232
Trade and other payables	12	**13 448**	17 442
Loans from subsidiaries	13	**49 226**	48 000
Current tax liabilities		**3 795**	—
Bank overdraft	9	**—**	1 790
Total equity and liabilities		**3 886 005**	4 254 313

**Less than R1 000.*

Company statement of comprehensive income

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 R'000	2010 R'000
Other income		**79 901**	78 145
Employee compensation and benefit expense	14	**(47 102)**	(48 606)
Depreciation, amortisation and impairment charges		**(279 922)**	(182 207)
Other expenses		**(35 614)**	(35 973)
Operating loss	15	**(282 737)**	(188 641)
Finance costs	16	**(121)**	(50)
Finance income	16	**9 116**	7 503
Net loss before taxation		**(273 742)**	(181 188)
Taxation	17	**(13 608)**	753
Net loss for the year		**(287 350)**	(180 435)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year		**(287 350)**	(180 435)

Company statement of changes in equity

FOR THE YEAR ENDED 31 MAY 2011

	Share capital R'000	Share premium R'000	Treasury shares R'000	Equity-based compen-sation reserve R'000	Share-based payment reserve R'000	Accu-mulated loss R'000	Total equity R'000
Balance as at 31 May 2009	*	4 404 737	(9 567)	1 939	—	(3 998)	4 393 111
Net loss for the year	—	—	—	—	—	(180 435)	(180 435)
Comprehensive income	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	(180 435)	(180 435)
Shares purchased during the year	—	—	(27 924)	—		—	(27 924)
Asset acquired for shares	—	—	—	—	295	—	295
Equity-based compensation movements	—	—	—	311	—	—	311
Balance as at 31 May 2010	*****	**4 404 737**	**(37 491)**	**2 250**	**295**	**(184 433)**	**4 185 358**
Net loss for the year	—	—	—	—	—	(287 350)	(287 350)
Comprehensive income	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	(287 350)	(287 350)
Shares purchased during the year	—	—	(8 790)	—	—	—	(8 790)
Shares awarded to group companies as part of equity-based compensation scheme	—	—	15 331	—	—	—	15 331
Equity-based compensation scheme shares vested	—	—	1 268	—	—	—	1 268
Equity-based compensation movements	—	—	—	2 749	—	—	2 749
Dividends paid	—	—	—	—	—	(91 457)	(91 457)
Balance as at 31 May 2011	*****	**4 404 737**	**(29 682)**	**4 999**	**295**	**(563 240)**	**3 817 109**

**Less than R1 000.*

Company statement of cash flows

FOR THE YEAR ENDED 31 MAY 2011

	Note	2011 R'000	2010 R'000
Cash flows from operating activities	18	1 834	(7 113)
Finance income	16	9 116	7 503
Finance costs	16	(121)	(50)
Taxation paid	19	(8 455)	—
Dividends received		631	—
Net cash flows from operating activities		3 005	340
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(15 027)	(26 338)
Proceeds on sale of property, plant and equipment		310	157
Acquisition of intangible assets	4	(807)	(46)
Proceeds on sale of intangible assets		—	3 866
Loans repaid by subsidiaries*		139 081	74 067
Loans advanced by subsidiaries*		(23 334)	(24 888)
Acquisition of investment in joint venture		(1)	—
Loans repaid by associate and joint venture		(112)	4
Net cash flows from investing activities		100 110	26 822
Cash flows from financing activities			
Dividends paid		(91 457)	—
Treasury shares acquired		(8 790)	(27 924)
Net cash flows from financing activities		(100 247)	(27 924)
Decrease in cash and cash equivalents		2 868	(762)
Cash and cash equivalents at the beginning of the period		(1 057)	(295)
Cash and cash equivalents at the end of the period	9	1 811	(1 057)

* *The cashflows in respect of the loans have been split to ensure gross presentation, with the comparative information updated accordingly.*

Notes to the company annual financial statements

FOR THE YEAR ENDED 31 MAY 2011

1. ACCOUNTING POLICIES

The accounting policies applied to the company annual financial statements are consistent with the group accounting policies as detailed on pages 107 to 127.

2. FINANCIAL RISKS

In the course of its business, the company is exposed to a number of financial risks: credit risk, liquidity risk and market risk (including foreign currency and other price risk). This note presents the company's objectives, policies and processes for managing its financial risk and capital.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations to the company. The company is exposed to credit risks on financial instruments such as receivables, loans receivable and cash.

Trade and other receivables consist primarily of invoiced amounts owing from related parties. The recoverability of these amounts are regularly monitored with reference to the counterparties' financial performance. Where necessary a provision for impairment is made.

The company places cash and cash equivalents with major banking companies and quality institutions that have high credit ratings.

Loans are only granted to holders with an appropriate credit history, taking into account the holder's financial position and past experience.

The company's maximum credit risk exposure is the carrying amount of all financial assets on the statement of financial position and sureties provided with the maximum amount the company could have to pay if the sureties are called on amounting to R753.6 million (2010: R654.4 million).

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (where available) or to historical information about counterparty default rates:

	2011 R'000	2010 R'000
Loans receivable		
Group 1	—	—
Group 2	800 529	955 758
Group 3	—	—
	800 529	955 758
Trade receivables		
Counterparties without external credit rating		
Group 1	—	—
Group 2	2 337	2 716
Group 3	—	—
Total unimpaired trade receivables	2 337	2 716

The rating groups for counterparties without external credit ratings are categorised as follows:

Group 1	New customers/related parties (less than six months).
Group 2	Existing customers/related parties (more than six months) with no defaults in the past.
Group 3	Existing customers/related parties (more than six months) with some defaults in the past. All defaults were fully recovered.

Cash at bank and short-term bank deposits

Credit rating based on latest Fitch local currency long-term issuer default ratings.

	2011 R'000	2010 R'000
BBB+	1 811	(1 790)
BBB	—	731
	1 811	(1 059)

2. FINANCIAL RISKS (continued)

Liquidity risk

Liquidity risk arises when a company encounters difficulties to meet commitments associated with liabilities and other payment obligations. The company's objective is to maintain prudent liquidity risk management by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Company finance monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Due to the dynamic nature of the underlying businesses, the company aims to maintain flexibility in funding by keeping committed credit lines available.

Maturity of financial liabilities

	Payable in: Less than 1 month or on demand (R'000)	More than 1 month but not exceeding 1 year (R'000)	More than 1 year but not exceeding 2 years (R'000)	More than 2 years but not exceeding 5 years (R'000)	More than 5 years (R'000)
2011					
Loans from subsidiaries	49 226	—	—	—	—
Trade and other payables*	6 632	—	—	—	—
Bank overdraft	—	—	—	—	—
Total	55 858	—	—	—	—
2010					
Loans from subsidiaries	48 000	—	—	—	—
Trade and other payables*	—	8 426	—	—	—
Bank overdraft	1 790	—	—	—	—
Total	49 790	8 426	—	—	—

**Trade and other payables exclude non-financial instruments being VAT and certain amounts within accruals and sundry creditors.*

Market risk

The company is exposed to risks from movements in foreign exchange rates and interest rates that affect its assets, liabilities and anticipated future transactions.

Cash flow and fair value interest rate risk

The company's cash flow interest rate risk arises from loans receivable and cash and cash equivalents. The company is not exposed to fair value interest rate risk as the company does not have any fixed interest-bearing instruments carried at fair value nor any interest-bearing borrowings.

As part of the process of managing the company's exposure to interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Foreign currency risk

The company is exposed to foreign currency risk from transactions. Transaction exposure arises due to the company granting loans to affiliated companies in foreign currencies.

The company manages its exposure to foreign currency risk by ensuring that the net foreign currency exposure remains within acceptable levels. Hedging instruments are used in certain instances to reduce risks arising from foreign currency fluctuations. The company did not enter into any forward exchange contracts during the period under review.

IFRS 7 *Sensitivity analysis*

The company has used a sensitivity analysis technique that measures the estimated change to the income statement of either an instantaneous increase or decrease of 1% (100 basis points) in market interest rates or a 10% strengthening or weakening of the rand.

The sensitivity analysis is based on the following assumptions:

Interest rate risks

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments.
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at fair value.

Under these assumptions, a 1% increase or decrease in market interest rates at 31 May 2011 would increase or decrease profit before tax by R654 840 (2010: R636 281).

2. FINANCIAL RISKS (continued)

Foreign currency risk

Financial instruments by currency

	2011			2010		
	ZAR R'000	EUR R'000	Total R'000	ZAR R'000	EUR R'000	Total R'000
Financial assets						
Cash	1 811	—	1 811	733	—	733
Trade and other receivables*	2 354	—	2 354	2 728	—	2 728
Loans receivable	800 529	—	800 529	955 758	—	955 758
	804 694	—	804 694	959 219	—	959 219
Financial liabilities						
Non-interest-bearing borrowings	49 226	—	49 226	48 000	—	48 000
Trade and other payables*	6 632	—	6 632	8 426	—	8 426
Bank overdraft	—	—	—	1 790	—	1 790
	55 858	—	55 858	58 216	—	58 216
Net financial position	748 836	—	748 836	901 003	—	901 003

**Trade and other receivables and trade and other payables exclude non-financial instruments.*

With a 10% strengthening or weakening in the rand against all other currencies, profit before tax would not be affected (2010: Rnil).

Capital risk

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the company may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The company defines capital as capital and reserves and non-current borrowings.

The company is not subject to externally imposed capital requirements.

There were no changes to the company's approach to capital management during the year.

Fair value measurement

For all short-term financial assets and liabilities, the carrying amount is regarded as an approximation of the fair value.

The fair value of all non-current loans receivable and borrowings are calculated using a discounted cash flow model based on prevailing market interest rates where applicable.

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Office equipment R'000	Leasehold improvements R'000	Total R'000
3. PROPERTY, PLANT AND EQUIPMENT						
Year ended 31 May 2011						
Opening carrying amount	285	1 456	661	547	25 498	28 447
Additions	144	111	456	1 512	12 804	15 027
Disposals	—	—	(601)	—	—	(601)
Depreciation charge	(226)	(297)	(92)	(485)	(5 519)	(6 619)
Closing carrying amount	203	1 270	424	1 574	32 783	36 254
At 31 May 2011						
Cost	735	2 022	545	2 293	38 935	44 530
Accumulated depreciation	(532)	(752)	(121)	(719)	(6 152)	(8 276)
Carrying amount	203	1 270	424	1 574	32 783	36 254
Year ended 31 May 2010						
Opening carrying amount	324	783	803	385	769	3 064
Additions	131	862	155	290	24 900	26 338
Disposals	(2)	—	(168)	—	—	(170)
Depreciation charge	(168)	(189)	(129)	(128)	(171)	(785)
Closing carrying amount	285	1 456	661	547	25 498	28 447
At 31 May 2010						
Cost	591	1 911	850	781	26 131	30 264
Accumulated depreciation	(306)	(455)	(189)	(234)	(633)	(1 817)
Carrying amount	285	1 456	661	547	25 498	28 447

		Computer software R'000	Internally developed software R'000	Other R'000	Total R'000
4.	**INTANGIBLE ASSETS**				
	Year ended 31 May 2011				
	Opening carrying amount	537	—	—	537
	Additions	107	—	700	807
	Disposals	—	—	—	—
	Amortisation charge	(621)	—	(105)	(726)
	Closing carrying amount	23	—	595	618
	At 31 May 2011				
	Cost	2 296	—	700	2 996
	Accumulated amortisation	(2 273)	—	(105)	(2 378)
	Carrying amount	23	—	595	618
	Year ended 31 May 2010				
	Opening carrying amount	1 643	3 579	—	5 222
	Additions	46	—	—	46
	Disposals	(287)	(3 579)	—	(3 866)
	Amortisation charge	(865)	—	—	(865)
	Closing carrying amount	537	—	—	537
	At 31 May 2010				
	Cost	2 189	—	—	2 189
	Accumulated amortisation	(1 652)	—	—	(1 652)
	Carrying amount	537	—	—	537

		2011 R'000	2010 R'000
5.	**DEFERRED TAXATION**		
	At 1 June	1 723	2 826
	Credited to income statement:		
	– Provisions	16	136
	– Capital allowances	(33)	(699)
	– Equity compensation benefit	1 103	(259)
	– Tax losses	—	493
	– Prepayments	—	(474)
	– Other	(382)	(300)
	At 31 May	2 427	1 723
	Deferred taxation comprises:		
	– Provisions	(118)	(134)
	– Capital allowances	283	316
	– Equity compensation benefit	2 993	1 890
	– Tax losses	—	—
	– Prepayments	—	—
	– Other	(731)	(349)
		2 427	1 723
	The analysis of deferred tax assets and deferred tax liabilities is as follows:		
	Deferred tax assets		
	Deferred tax assets to be recovered after more than 12 months	—	(207)
	Deferred tax assets to be recovered within 12 months	—	(276)
		—	(483)
	Deferred tax liabilities		
	Deferred tax liabilities to be recovered after more than 12 months	760	1 333
	Deferred tax liabilities to be recovered within 12 months	1 667	873
		2 427	2 206
	Net deferred tax liability	2 427	1 723
6.	**INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS**		
6.1	**Investments in subsidiaries and related loans**		
	Shares at cost less amounts written off	2 985 893	3 260 065
	Loans owing by subsidiaries less amounts written off	820 017	949 063
		3 805 910	4 209 128

	Shares at cost R'000	Loans owing by sub-sidiaries R'000	Provision for impairment R'000
6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)			
6.1 Investments in subsidiaries and related loans (continued)			
Details are reflected below:			
2011			
Activi Technology Services (Proprietary) Limited	5 000	—	—
Africa Prepaid Services (Proprietary) Limited[1]	61 520	72 562	(83 574)
Blue Label Australasia (Proprietary) Limited[3]	—	—	—
Blue Label Investments (Proprietary) Limited	108 416	—	—
Blue Label One (Proprietary) Limited	40 000	924	—
Blue Label Telecoms USA Incorporated	*	50 540	—
Budding Trade (Proprietary) Limited	6 000	—	—
Celebia Holdings Limited	—	—	—
Cellfind SA (Proprietary) Limited	290 000	2 580	(141 841)
Cigicell (Proprietary) Limited	295	2 094	—
Content Connect Africa (Proprietary) Limited	27 000	394	(12 000)
Datacel Direct (Proprietary) Limited[1]	150 000	14 951	(16 073)
Gold Label Investments (Proprietary) Limited	29 400	149 870	(175 075)
Kwikpay SA (Proprietary) Limited	22 500	—	—
Matragon (Proprietary) Limited	194 000**	—	—
Matrix Investments No 4 (Proprietary) Limited	4 160	—	—
SharedPhone International (Proprietary) Limited[1]	20 000	2 754	(16 089)
The Postpaid Company (Proprietary) Limited[1]	*	1 197	—
The Prepaid Company (Proprietary) Limited	2 150 214**	690 904	—
Uninex (Proprietary) Limited	*	976	—
Velociti (Proprietary) Limited	7 185	1 936	—
Ventury Group (Proprietary) Limited	98 406**	—	—
Virtual Voucher (Proprietary) Limited	44 784	—	—
	3 258 880	991 682	(444 652)

[3] *Blue Label Australasia was deregistered on 29 December 2010.*

BLUE LABEL TELECOMS

	Shares at cost R'000	Loans owing by subsidiaries R'000	Provision for impairment R'000
6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)			
6.1 Investments in subsidiaries and related loans (continued)			
2010			
Activi Technology Services (Proprietary) Limited	5 000	1 643	—
Africa Prepaid Services (Proprietary) Limited[1]	61 520	50 896	—
Blue Label Australasia (Proprietary) Limited[2]	1 926	3 502	(5 428)
Blue Label Investments (Proprietary) Limited	108 416	1 193	—
Blue Label Mexico S.A. de C.V.	26 650	545	—
Blue Label One (Proprietary) Limited	40 000	800	—
Blue Label Telecoms USA Incorporated	*	50 540	—
Budding Trade (Proprietary) Limited	6 000	—	—
Celebia Holdings Limited	—	—	—
Cellfind SA (Proprietary) Limited	290 000	1 131	—
Cigicell (Proprietary) Limited	295	723	—
Content Connect Africa (Proprietary) Limited	27 000	379	—
Datacel Direct (Proprietary) Limited[1]	150 000	12 933	—
Gold Label Investments (Proprietary) Limited	29 400	149 610	(175 075)
Kwikpay SA (Proprietary) Limited	22 500	746	—
Matragon (Proprietary) Limited	194 000**	30 377	—
Matrix Investments No 4 (Proprietary) Limited	4 160	—	—
SharedPhone International (Proprietary) Limited[1]	20 000	2 502	—
The Postpaid Company (Proprietary) Limited[1]	*	758	—
The Prepaid Company (Proprietary) Limited	2 150 214**	791 113	—
Uninex (Proprietary) Limited	*	976	—
Velociti (Proprietary) Limited	7 185	1 705	—
Ventury Group (Proprietary) Limited	98 406**	—	—
Virtual Voucher (Proprietary) Limited	44 784	103	—
	3 287 456	1 102 175	(180 503)

* *Less than R1 000.*
All subsidiaries are based in the Republic of South Africa. For details on percentage held and issued shares refer to note 33 in the group notes. Refer to note 15 and 21 for details on impairments. The carrying value of the loans approximates their fair values and these loans are repayable on demand.
1. These loans bear interest at prime plus 2% and have no fixed terms of repayment.
2. This loan bears interest at prime plus 3% and has no fixed terms of repayment.
All other loans are interest free.
** *These investments have been pledged as security to Investec Bank Limited in terms of the facility.*

	2011 R'000	2010 R'000
6. INVESTMENTS IN GROUP COMPANIES AND RELATED LOANS (continued)		
6.2 Investments in associate and joint venture and related loans		
Shares at cost	**29 682**	3 030
Provision for impairment	**(2 554)**	—
Loans owing by associate and joint venture	**257**	145
	27 385	3 175

		Date acquired	Country of incorporation	Percentage interest held
Demtrade 11 (Proprietary) Limited	Joint venture	1 June 08	South Africa	46.25
Blue Label Mexico S.A. de C.V.*	Associate	23 Feb 11	Mexico	40

** On 23 February 2011, a strategic alliance was entered into between Blue Label Mexico S.A de C.V. ('BLM') and Grupo Bimbo S.A.B de C.V. ('Bimbo'). In terms of this arrangement Bimbo purchased 40% of BLM for US$20 million by subscribing to a fresh issue of shares. The result of this transaction is that Blue Label Telecoms' shareholding was diluted from 70% to 40%. The investment is carried at the cost of the previous investment in subsidiary.*

	Assets R'000	Liabilities R'000	Revenues R'000	Profit/(Loss) R'000
2011				
Demtrade 11 (Proprietary) Limited	**2 513**	**1 483**	**10 536**	**84**
Blue Label Mexico S.A. de C.V.	**117 329**	**9 230**	**26 856**	**(15 501)**
2010				
Demtrade 11 (Proprietary) Limited	7 923	6 040	10 780	715

	2011 R'000	2010 R'000
7. LOANS RECEIVABLE		
Loans to related parties	**10 615**	6 695
Loans are unsecured, interest free and are repayable on demand.		

	2011 R'000	2010 R'000
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	—	36
Sundry debtors and prepayments	1 075	1 399
VAT	—	829
Amounts due from related parties (refer to note 21)	2 337	2 680
	3 412	4 944

	Gross R'000	Impairment R'000
The ageing of trade receivables, including amounts due from related parties, at the reporting date was:		
31 May 2011		
Fully performing	2 337	—
Past due by 1 to 30 days	—	—
Past due by 31 to 60 days	—	—
Past due by 61 to 90 days	—	—
Past due by more than 90 days	—	—
	2 337	—
31 May 2010		
Fully performing	2 709	—
Past due by 1 to 30 days	—	—
Past due by 31 to 60 days	—	—
Past due by 61 to 90 days	7	—
Past due by more than 90 days	—	—
	2 716	—

Based on the financial performance of the relevant debtors, management does not consider there to be any indications of potential default in respect of the fully performing book.

		2011 R'000	2010 R'000
9.	**CASH AND CASH EQUIVALENTS**		
	Cash at bank	**1 811**	731
	Cash on hand	**—**	2
	Favourable balances	**1 811**	733
	Bank overdraft	**—**	(1 790)
		1 811	(1 057)

Cash and cash equivalents of R600 000 (2010: R600 000) are restricted.

		2011 Number of shares	2010 Number of shares	2010 R'000	2010 R'000
10.	**SHARE CAPITAL**				
	Authorised				
	Total authorised share capital of ordinary shares (par value of R0.000001 each)	**1 000 000 000**	1 000 000 000	**1**	1
	Issued				
	Balance at the beginning of the year	**756 659 181**	761 159 181	*	*
	Shares acquired during the period	**(1 300 000)**	(4 500 000)	*	*
	Balance at the end of the year	**755 359 181**	756 659 181	*	*

All issued shares are fully paid up.

The company acquired 1 300 000 (2010: 4 500 000) shares on the JSE in order to grant forfeitable shares to employees and directors of the group.

The cost to the company to acquire the shares held for the benefit of its direct employees of R8 789 983 (2010: R14 652 974) has been deducted from shareholders' equity. These shares are held as "treasury shares". See note 11 for details on the forfeitable shares.

**Less than R1 000.*

11. EQUITY COMPENSATION BENEFIT

Forfeitable shares

During the year, 2 436 492 (2010: 1 625 958) forfeitable shares were granted to executive directors and qualifying employees ('participant'). The participant will forfeit the forfeitable shares if he/she ceases to be an employee of Blue Label Telecoms before the vesting date or if the specified performance conditions have not been met, unless otherwise specified by the rules or determined by the board. In the event that the participant is not in the employ of the group, or the performance conditions are not met, then the shares allocated to the participant will be forfeited and will either be sold on the open market by the escrow agent and the proceeds will be returned to the company, or may be retained by the company for future awards.

Dividends declared in respect of these forfeitable shares are held in escrow until such time as the performance conditions are met and the shares have vested. Shares forfeited during the vesting period will forfeit any dividends pertaining to such shares. A dividend of 12 cents per ordinary share was declared on 23 August 2010.

The release of forfeitable shares will be subject to the achievement of a specified performance condition. The performance condition for the first award grant of forfeitable shares was:

- 30% of shares will vest when the group's core HEPS at the end of the performance period, being May 2010, exceeds the core HEPS per ordinary share as at the beginning of the performance period, being May 2008, by the percentage change in the CPI index over the performance period, plus 20% (threshold performance criteria).
- 100% of shares will vest when the core HEPS at the end of the performance period, being May 2010, exceeds the core HEPS per ordinary shares at the beginning of the performance period, being May 2008, by the percentage change in the CPI index over the performance period, plus 30% (target performance criteria).
- Performance below the threshold performance criteria will result in the forfeitable award not vesting, unless otherwise determined by the board.
- Linear vesting of the forfeitable award will occur between threshold performance and target performance stated above.

The performance conditions for the first scheme were not met and therefore all shares were forfeited in the prior year.

The performance conditions for the second award grant of forfeitable shares vesting on 1 September 2012 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the group at the vesting date (1 September 2012).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period (May 2009), by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The performance condition for the third award grant of forfeitable shares vesting on 1 September 2013 are as follows:

- 25% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the group at the vesting date (1 September 2013).
- 25% of the shares constituting the allocation will vest on the achievement by individual employees of their individual key performance indicators.
- 50% of shares constituting the allocation will vest if the group's core HEPS is equal to or exceeds the core HEPS per ordinary share at the beginning of the performance period (1 June 2010), by the percentage change in the CPI over the performance period, plus 15%. There is no linear vesting to this portion of the allocation.

The performance condition for the retention award grant vesting in three equal tranches on 30 September 2010, 30 April 2011 and 30 April 2012 are as follows:

- 100% of the shares constituting the allocation are awarded for retention purposes and shall vest if the employee is still employed in the group at the vesting dates.

11. EQUITY COMPENSATION BENEFIT (continued)

Forfeitable shares (continued)

Movements in the number of forfeitable shares outstanding during the year are as follows:

	Grant date	Vesting date	Number of shares	Fair value of grant R'000
At 1 June 2009			1 923 037	9 615
Granted during the year				
Second award	1 September 2009	1 September 2012	540 118	3 160
Second award	27 November 2009	1 September 2012	1 085 840	6 352
Shares forfeited during the year			(2 010 697)	(10 128)
First award			(1 923 037)	(9 615)
Second award			(87 660)	(513)
Shares vested during the year			—	—
At 31 May 2010			**1 538 298**	**8 999**
Second award			**1 538 298**	**8 999**
Granted during the year			**2 436 492**	**11 560**
Third award	1 September 2010	1 September 2013	**2 072 629**	**9 741**
Retention award	1 September 2010	30 September 2010	**129 410**	**647**
Retention award	1 September 2010	30 April 2011	**124 226**	**621**
Retention award	1 September 2010	30 April 2012	**110 227**	**551**
Shares forfeited during the year			**(191 186)**	**(975)**
Second award			**(66 092)**	**(387)**
Third award			**(125 094)**	**(588)**
Transfers within the group			**(28 397)**	**(166)**
Shares vested during the year			**(253 636)**	**(1 268)**
Retention award		30 September 2010	**(129 410)**	**(647)**
Retention award		30 April 2011	**(124 226)**	**(621)**
At 31 May 2011			**3 501 571**	**18 150**
Second award			**1 443 809**	**8 446**
Third award			**1 947 535**	**9 153**
Retention award			**110 227**	**551**

Refer to note 15 for the expense recognised in the statement of comprehensive income relating to the equity compensation benefits.

The fair value of the shares is based on the value paid for the shares on the open market at grant date.

The total number of forfeitable shares issued to executive directors during the period is 1 477 168 (2010: 1 085 840).

The share-based payment in relation to these directors is R2 million (2010: R1.6 million).

Refer to the remuneration report on page 52 for details per director.

	2011 R'000	2010 R'000
12. TRADE AND OTHER PAYABLES		
Trade payables	2 372	3 032
Accruals	7 398	11 613
Sundry creditors	2 621	760
VAT	705	—
Amounts due to related parties (refer to note 21)	352	2 037
	13 448	17 442
13. LOANS FROM SUBSIDIARIES		
Ventury Group (Proprietary) Limited	48 000	48 000
Blue Label Investments (Proprietary) Limited	1 226	—
	49 226	48 000
Loans are unsecured, interest free and are repayable on demand.		
14. EMPLOYEE COMPENSATION AND BENEFIT EXPENSE		
Salaries and wages	42 183	41 810
Bonuses	394	6 185
Equity compensation benefit	4 017	311
Other	508	300
	47 102	48 606
15. OPERATING LOSS	—	
The following items have been charged/(credited), in arriving at operating loss:		
Management fees received	(78 884)	(77 898)
Consulting fees	7 868	4 790
Foreign exchange loss	1	516
Impairment of loans and investments*	272 578	180 557
Loss on disposal of property, plant and equipment	291	13
Insurance	1 644	1 504
Legal fees	710	483
Operating lease rentals – premises	1 013	3 470
Rental paid	12 358	4 481
Rental recovery	(11 345)	(1 011)
Overseas travel	3 534	3 919
Security	658	85
Repairs and maintenance	20	5
Audit fees	4 227	6 469

** An impairment loss of R272.6 million (2010: R180.6 million) was recognised in the current year relating to the impairment of related party investments and loans in line with our stated accounting policies (refer note 21). A weighted average cost of capital of 15% – 22% (2010: 18%) and a growth rate of 1.5% – 4.5% (2010: 5%) was used in determining the recoverable value where the valuation was based on future cash flows. In other instances, indicative sales values have been used to determine recoverable value.*

	2011 R'000	2010 R'000
16. FINANCE (INCOME)/COSTS		
Interest paid		
– Bank	45	50
– Other	76	—
	121	50
Interest received		
– Bank	(40)	(40)
– Loans	(9 038)	(7 227)
– Other	(38)	(236)
	(9 116)	(7 503)
Net finance income	(8 995)	(7 453)
17. TAXATION		
Current tax	3 758	350
Current year	3 795	350
Prior year	(37)	—
Deferred tax	704	(1 103)
Current year	704	(1 103)
STC	9 146	—
	13 608	(753)
Tax rate reconciliation		
Net loss before tax	(273 742)	(181 188)
Tax at 28%	(76 648)	(50 733)
Adjusted for:		
– Income not taxable	(867)	(1 002)
– Expenditure not deductible	76 594	50 982
– Prior year adjustment	(37)	—
– Permanent difference	5 420	—
– STC	9 146	—
	13 608	(753)

	2011 R'000	2010 R'000
18. CASH FLOWS FROM OPERATING ACTIVITIES		
Reconciliation of operating loss to cash flows from operating activities:		
Operating loss	(282 737)	(188 641)
Adjustments for:		
Dividends received	(631)	—
Depreciation of property, plant and equipment	6 619	785
Amortisation on intangible assets	726	865
Impairment of loans and investments	272 578	180 557
Loss on disposal of property, plant and equipment	291	13
Equity compensation benefit expense	4 017	311
Changes in working capital		
Decrease in trade and other receivables	1 532	1 983
(Decrease)/Increase in trade and other payables	(3 994)	2 850
Decrease/(increase) in loans receivable	3 433	(5 836)
	1 834	(7 113)
19. TAXATION PAID		
Balance outstanding at the beginning of the year	(654)	(800)
Taxation charge	12 904	350
Withholding tax credit	—	(204)
Balance outstanding at the end of the year	(3 795)	654
	8 455	—
20. COMMITMENTS		
Future operating lease charges for:		
Premises		
Payable within one year	10 191	9 223
Payable in two to five years	52 650	33 896
Payable in more than five years	12 270	41 216
	75 111	84 335

	2011 R'000	2010 R'000
21. RELATED PARTY TRANSACTIONS		
Related party relationships		
For details of subsidiaries, associates and joint ventures refer to note 33 in the group notes.		
For details of the company's directors, refer to the directors' report.		
ZOK Cellular (Proprietary) Limited, Black Ginger 59 (Proprietary) Limited, Unihold Group Limited and Moneyline 311 (Proprietary) Limited are related parties due to the companies having common directorships.		
For details of the shareholdings in the company, refer to the directors' report.		
Directors' emoluments (refer to note 30 of the group annual financial statements and Remuneration Report).		
The following transactions were carried out with related parties:		
Purchases from related parties		
Black Ginger 59 (Proprietary) Limited	1 993	294
BSC Technologies (Proprietary) Limited	—	79
Blue Label Distribution (previously Comm Express Services SA (Proprietary) Limited)	1 332	—
Content Connect Africa (Proprietary) Limited	18	—
Demtrade 11 (Proprietary) Limited	947	1 762
Moneyline 311 (Proprietary) Limited	—	821
The Prepaid Company (Proprietary) Limited	5	147
Cost recoveries from related parties		
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	176	—
Cellfind SA (Proprietary) Limited	9	—
Smart Voucher Limited	24	422
The Prepaid Company (Proprietary) Limited	—	79
Interest received from related parties		
Africa Prepaid Services (Proprietary) Limited	6 778	5 062
Blue Label Australasia (Proprietary) Limited	—	452
Content Connect Africa (Proprietary) Limited	101	83

	2011 R'000	2010 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Interest received from related parties (continued)		
Datacel Direct (Proprietary) Limited	1 804	1 272
SharedPhone International (Proprietary) Limited	278	281
The Postpaid Company (Proprietary) Limited	77	77
Management fees received from related parties		
Activi Technology Services (Proprietary) Limited	73	66
Africa Prepaid Services (Proprietary) Limited	2 940	2 520
Blue Label Australasia (Proprietary) Limited	—	459
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	2 131	—
Blue Label Mexico S.A. de C.V.	770	466
Cellfind SA (Proprietary) Limited	2 614	2 376
Cigicell (Proprietary) Limited	2 251	2 046
Datacel Direct (Proprietary) Limited	363	330
Kwikpay SA (Proprietary) Limited	—	1 690
SharedPhone International (Proprietary) Limited	726	660
Smart Voucher Limited	564	2 293
The Prepaid Company (Proprietary) Limited	66 000	64 560
Transaction Junction (Proprietary) Limited	73	66
Virtual Voucher (Proprietary) Limited	327	594
ZOK Cellular (Proprietary) Limited	—	208
Management fees paid to related parties		
Demtrade 11 (Proprietary) Limited	1 210	1 320
Rent paid to related parties		
Ellerine Bros. (Proprietary) Limited	4 611	955
Moneyline 311 (Proprietary) Limited	4 611	2 500
Rent received from related parties		
Activi Deployment Services (Proprietary) Limited	—	27
Africa Prepaid Services (Proprietary) Limited	124	—
Blue Label Data Solutions (Proprietary) Limited	205	50

	2011 R'000	2010 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Blue Label One (Proprietary) Limited	295	93
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	3 402	206
Demtrade 11 (Proprietary) Limited	95	10
Smart Voucher Limited	—	25
The Prepaid Company (Proprietary) Limited	2 780	230
ZOK Cellular (Proprietary) Limited	195	16
Impairment of related party investments		
Africa Prepaid Services (Proprietary) Limited	61 519	—
Blue Label Australasia (Proprietary) Limited	—	1 926
Celebia Holdings Limited	—	38
Cellfind SA (Proprietary) Limited	141 841	—
Content Connect Africa (Proprietary) Limited	12 000	—
Datacel Direct (Proprietary) Limited	16 073	—
Demtrade 11 (Proprietary) Limited	2 554	—
Gold Label Investments (Proprietary) Limited	—	25 465
SharedPhone International (Proprietary) Limited	16 089	—
Impairment of related party loans		
Africa Prepaid Services (Proprietary) Limited	22 055	—
Blue Label Australasia (Proprietary) Limited	447	3 502
Gold Label Investments (Proprietary) Limited	—	149 610
Dividends received from related parties		
Demtrade 11 (Proprietary) Limited	416	—
House of Business Solutions (Proprietary) Limited	215	—

	2011 R'000	2010 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Loans to related parties		
Activi Technology Services (Proprietary) Limited	—	1 643
Africa Prepaid Services (Proprietary) Limited	50 508	50 896
Blue Label Australasia (Proprietary) Limited	—	379
Blue Label Data Solutions (Proprietary) Limited	—	292
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	8 478	5 990
Blue Label Investments (Proprietary) Limited	—	1 193
Blue Label Mexico S.A. de C.V.	257	545
Blue Label One (Proprietary) Limited	924	800
Blue Label Telecoms USA Incorporated	50 540	50 540
Cellfind SA (Proprietary) Limited	2 580	1 131
Cigicell (Proprietary) Limited	2 094	—
CNS Call Centre (Proprietary) Limited	15	—
Content Connect Africa (Proprietary) Limited	394	723
Datacel Direct (Proprietary) Limited	14 951	12 933
Demtrade 11 (Proprietary) Limited	—	145

	2011 R'000	2010 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Loans to related parties		
Gold Label Investments (Proprietary) Limited	260	—
Kwikpay SA (Proprietary) Limited	—	746
Matragon (Proprietary) Limited	—	30 377
SharedPhone International (Proprietary) Limited	2 754	758
The Postpaid Company (Proprietary) Limited	1 197	2 502
The Prepaid Company (Proprietary) Limited	690 904	791 113
Transaction Junction (Proprietary) Limited	1 178	414
Uninex (Proprietary) Limited	976	976
Velociti (Proprietary) Limited	1 936	1 705
Virtual Voucher (Proprietary) Limited	—	103
Loans from related parties		
Blue Label Investments (Proprietary) Limited	1 226	—
Ventury Group (Proprietary) Limited	48 000	48 000
Amounts due from related parties		
Black Ginger 59 (Proprietary) Limited	—	951
Blue Label Australasia (Proprietary) Limited	—	19
Comm Express Services SA (Proprietary) Limited	—	21
Datacel Direct (Proprietary) Limited	—	31
Smart Voucher Limited	2 337	1 637
ZOK Cellular (Proprietary) Limited	—	21
	2 337	2 680

	2011 R'000	2010 R'000
21. RELATED PARTY TRANSACTIONS (continued)		
Amounts due to related parties		
Black Ginger 59 (Proprietary) Limited	37	335
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	12	—
Blue Label Australasia (Proprietary) Limited	—	41
Blue Label Mexico S.A. de C.V.	—	203
Demtrade 11 (Proprietary) Limited	204	361
Moneyline 311 (Proprietary) Limited	(472)	1 096
Neil Lazarus	447	—
Unihold Group Limited	124	—
ZOK Cellular (Proprietary) Limited	—	1
	352	2 037
Disposal of intangible asset to related party		
Blue Label Distribution (Proprietary) Limited (previously Comm Express Services SA (Proprietary) Limited)	—	3 579
Leasehold improvements recovered by related party		
Ellerine Bros. (Proprietary) Limited	925	11 500

Basis of transactions

All transactions with related parties are conducted on the same terms as other transactions of a similar nature.

Glossary of terms

AEON	Blue Label's proprietary switch through which all transactional capability is accessed
AEON EVD	Is the Aeon Electronic Voucher Distribution platform, it is a central repository in which Electronic (or Virtual) Stock is housed. It gets referenced by other internal platforms like EVMS, AMS and AEON
AIDS	Acquired Immune Deficiency Syndrome
Amazon EC2	Amazon Elastic Compute Cloud (EC2) is a web service that provides resizable computing capacity in the cloud; allowing users to obtain and configure capacity with minimal effort
API	Application Programming Interface
APS	Africa Prepaid Services (Pty) Ltd
APSN	Africa Prepaid Services Nigeria Ltd
ARCC	Audit, Risk and Compliance Committee
ARPU	Average revenue per user
AoA	Articles of Association
BBBEE	Broad-based Black Economic Empowerment
BLD	Blue Label Distribution (Pty) Ltd
BLT	Blue Label Telecoms Limited
Blue Label	Blue Label Telecoms Limited
Blue Label Telecoms	Blue Label Telecoms Limited
BoBo	Bill on Behalf of
BPO	Business Process Outsourcing
Bulk printing	Ability to print bulk vouchers
BRICS	Emerging markets of Brazil, Russia, India, China and South Africa
CDMA	Code division multiple access network
CES	Comm Express Services (Pty) Ltd
Companies Act	Companies Act 71 of 2008
company	Blue Label Telecoms Limited
Content aggregator	An organisation that gathers web content and applications from different online sources for re-use and resale

BLUE LABEL TELECOMS

CRM	Customer Relationship Management
CSI	Corporate Social Investment
CSP	Customer Service Points
CSR	Corporate Social Responsibility
Developing economies	A term generally used to describe a nation with a low level of material well-being (not to be confused with third-world countries). Since no single definition of the term developed country is recognised internationally, the levels of development may vary widely within so-called developing countries, with some developing countries having high average standards of living
Digital immigrant	A person who grow up without technology and adopted it later
Digital native	A person for whom digital technologies already existed when they were born, and hence has grown up with digital technology such as computers, the Internet, mobile phones and MP3s
Disintermediation	Margin squeeze
Distribution channels	For Blue Label, our distribution channels include retail and wholesale outlets, petroleum forecourts, informal retail outlets, individual merchants/entrepreneurs, corporates and independents (Mom and Pop Stores)
DTI	Department of Trade and Industry
DTI CoGP	Department of Trade and Industry's Code of Good Practice
EB	An Exabyte, equal to 1 billion Gigabytes or 1 000 000 000 000 000 000 bytes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EE	Employment equity
Emerging economies	Nations with social or business activity in the process of rapid growth and industrialisation
e-tokens	Electronic tokens – a form of electronic cash used for secure transactions
Exco	Executive Committee
FMCG	Fast-moving consumer goods
FQUN	Fully Qualified User Name
GPS	Global Positioning System
GRI	Global Reporting Initiative
group	Blue Label Telecoms Limited and its subsidiaries, associates and joint ventures

Glossary of terms continued

IARCS	Internal Audit, Risk and Control Services
IC	Investment Committee
ICT	Information, Communications and Technology
Intelligent transport	Toll roads, bus and train prepaid ticketing
Interconnect fees	Charges associated with collecting and delivering calls between two different operators (networks)
IP	Intellectual Property
IRCC	Internal Risk and Compliance Committee
ISO	Independent Sales Organisation
IT	Information Technology
JAVA	Java is a programming language and computing platform
JSE	JSE Limited, a public company duly registered and incorporated in South Africa and licensed as an exchange under the Securities Services Act 2004
King III	The King Report on Governance for South Africa 2009 including the King Code of Governance Principles for South Africa 2009
Kiosk	An area within a retail outlet which is allocated to transactions for Blue Label products and services
LBS	Location-based Services
LTE	Long-Term Evolution. A set of extensions to 3G mobile networks designed to replace core GPRS. These form a subset of the 4G specifications.
mCommerce	Mobile commerce
mms	Multimedia messaging service
Money remittances	The ability to transfer money to another individual without a bank account
MSC	Mobile Services Company
MoA	Memorandum of Association
NaaS	Network as a Service
Neo	Ukash voucher converted into a prepaid Mastercard®
NFC	Near Field Communications
OTA	Over The Air

Oxigen/Oxigen India	Oxigen Services India
PaaS	Platform as a Service
pCommerce	Prepaid Commerce
Physical prepaid airtime	Prepaid vouchers that are available as physical items
PIN	Personal identity number
Pin-less top-up	E-token recharge directly to mobile phone via a POS device
POS	Point-of-sale, usually a place or a device
PowerPin Voucher	Off-line prepaid electricity top-up, consolidates the purchase of prepaid electricity across national municipalities
Previous Act	Companies Act 61 of 1973 as amended
R&D	Research and Development
RICA	Regulation of Interception of Communications Act – requires the registration of personal details of all South African cellphone subscribers
RNC	Remuneration and Nomination Committee
RUIM (or R-UIM)	Re-usable Identification Module; removable ID chip for cellular phones extends the GSM SIM card to CDMA phones and networks
SaaS	Software as a Service
SAPO	South Africa Post Office
SBI	State Bank of India
SED	Socio-economic development
Shop-in-shop	An area within a retail outlet which is allocated to transactions for Blue Label products and services
SIC	Strategic Implementation Committee
SIM card	Subscriber Identification Module card
SMS	Short Message Service
SRI	Socially Responsible Investment (SRI) Index
SSETA	Services Sector Education and Training Authorities

Glossary of terms continued

TC	Transformation Committee
Telco	Telecommunications company
Ticketing	Bus, train and airline ticketing as well as entertainment
Touch points	Devices through which consumers are able to purchase Blue Label products and services
TPC	The Prepaid Company (Pty) Ltd
TPPC	The Postpaid Company (Pty) Ltd
Transactional services	Includes money transfers, payments of bills and the like
unbanked	People without bank accounts
underbanked	People with poor access to mainstream financial services, such as banks and therefore rely on alternative financial services OR alternatively people with bank accounts who do not make effective use of the broader services offered by the bank – they merely deposit and withdraw cash from their accounts
UNIPIN	Universal PIN for prepaid electricity
USSD	Unstructured supplementary service data
Value added	Measure of wealth the group has created in its operation by "adding value" to the cost of product and services
VAS	Value added services
Virtual distributor	Distribution of e-tokens of value in electronic format
Virtual prepaid airtime	Airtime top-up in an electronic format
WAP	Wireless Application Protocol
WASP	Wireless Application Service Provider
WASPA	Wireless Application Service Providers' Association
White label offerings	Non-affiliated products and services

Administration

REGISTERED ADDRESS

Blue Label Telecoms Ltd
75 Grayston Drive
Corner Benmore Road
Morningside Ext 5
Sandton
2196
(PO Box 652261, Benmore 2010)
Tel: +27 11 523 3000
Fax: +27 11 523 3001
www.bluelabeltelecoms.co.za

COMPANY SECRETARY

E Viljoen
info@blts.co.za

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
(PO Box 61051, Marshalltown 2107)
Tel: +27 11 370 5000
Fax: +27 11 688 5232

INVESTOR AND MEDIA RELATIONS

MJ Campbell
investors@blts.co.za

BASTION GRAPHICS


BLUE LABEL
TELECOMS
www.blts.co.za